

CITY OF SAINT PAUL
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL
SECTION

BASIC FINANCIAL STATEMENTS

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
December 31, 2003

Exhibit 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
ASSETS				
Cash and Investments	217,284,590	42,312,189	259,596,779	5,365,750
Investments	-	-	-	24,298,724
Securities Lending Collateral	131,788,939	-	131,788,939	-
Receivables (Net of Allowance for Uncollectibles)	80,032,474	9,934,923	89,967,397	30,638,781
Due from Component Units	186,882	2,135,125	2,322,007	-
Due from Primary Government	-	-	-	203,407
Due from Other Governmental Units	34,720,133	518,056	35,238,189	684,990
Internal Balances	2,114,002	(2,114,002)	-	-
Inventories	13,812,142	3,982,763	17,794,905	1,974,309
Other Assets	5,529,891	1,660,936	7,190,827	1,568,435
Restricted Cash and Investments	35,000	19,206,318	19,241,318	46,296,857
Long Term Receivables	11,054,784	28,702,451	39,757,235	8,296,267
Capital Assets, Net of Related Depreciation				
Land	137,772,803	18,381,754	156,154,557	14,824,224
Buildings	361,671,467	54,965,951	416,637,418	70,886,277
Improvements Other than Buildings	54,649,902	-	54,649,902	-
Public Improvements	-	259,081,926	259,081,926	124,763,798
Equipment	26,431,474	2,385,211	28,816,685	18,990,131
Infrastructure	423,654,784	-	423,654,784	-
Construction in Progress	57,744,571	26,046,804	83,791,375	25,949,828
Total Assets	1,558,483,838	467,200,405	2,025,684,243	374,741,778
LIABILITIES				
Accounts Payable and Other Current Liabilities	23,277,290	2,974,626	26,251,916	6,300,549
Accrued Salaries	7,495,873	308,757	7,804,630	1,331,367
Due to Component Units	147,179	56,228	203,407	-
Due to Primary Government	-	-	-	2,322,007
Due to Other Governmental Units	4,405,550	24,681	4,430,231	2,157,273
Deferred Revenues	21,770,860	669,418	22,440,278	2,443,603
Obligations Under Securities Lending	131,788,939	-	131,788,939	-
Liabilities Payable from Restricted Assets	-	5,666,947	5,666,947	21,457,182
Noncurrent Liabilities:				
Due Within One Year	39,294,499	7,081,429	46,375,928	2,935,445
Due in More than One Year	411,278,032	128,094,381	539,372,413	148,286,234
Total Liabilities	639,458,222	144,876,467	784,334,689	187,233,660
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	795,317,632	245,187,836	1,040,505,468	133,905,287
Restricted for:				
Public Safety	3,176,846	-	3,176,846	-
Culture and Recreation	1,954,956	-	1,954,956	-
Debt Service	8,364,092	2,801,076	11,165,168	14,945,551
Operations and Maintenance	-	3,613,197	3,613,197	1,008,728
Permanent Activities	62,790	-	62,790	-
Other Purposes	-	3,781,695	3,781,695	-
Unrestricted	110,149,300	66,940,134	177,089,434	37,648,552
Total Net Assets	919,025,616	322,323,938	1,241,349,554	187,508,118

The notes to the financial statements are an integral part of this statement.

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City of Saint Paul, Minnesota
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended December 31, 2003

Exhibit 2

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
Primary Government								
Governmental Activities								
General Government	39,528,689	4,699,573	367,514	156,376	(34,305,226)	-	(34,305,226)	-
Public Safety	114,228,654	26,432,687	3,529,663	-	(84,266,304)	-	(84,266,304)	-
Highways and Streets	45,361,789	26,529,885	9,041	19,922,822	1,099,959	-	1,099,959	-
Sanitation	2,485,794	2,242,363	495,729	195,668	447,966	-	447,966	-
Health	4,114,359	4,019,763	-	-	(94,596)	-	(94,596)	-
Culture and Recreation	53,672,185	2,896,007	2,884,106	15,014,040	(32,878,032)	-	(32,878,032)	-
Housing and Economic Development	41,281,037	2,467,053	16,737,840	1,522,119	(20,554,025)	-	(20,554,025)	-
Interest and Fiscal Charges	22,275,378	-	-	-	(22,275,378)	-	(22,275,378)	-
Total Governmental Activities	322,947,885	69,287,331	24,023,893	36,811,025	(192,825,636)	-	(192,825,636)	-
Business-Type Activities								
Convention Facility	7,259,234	6,832,435	-	-	-	(426,799)	(426,799)	-
Sewer	29,404,536	40,760,760	-	-	-	11,356,224	11,356,224	-
Development Loan Programs	5,853,893	2,652,971	888,290	-	-	(2,312,632)	(2,312,632)	-
Parking	8,430,255	8,646,251	-	615,884	-	831,880	831,880	-
Parks, Recreation and Athletics	6,027,950	4,763,140	14,926	-	-	(1,249,884)	(1,249,884)	-
Impound Lot	2,153,642	2,093,756	-	-	-	(59,886)	(59,886)	-
Printing	1,288,297	1,238,072	-	-	-	(50,225)	(50,225)	-
Total Business-Type Activities	60,417,807	66,987,385	903,216	615,884	-	8,088,678	8,088,678	-
Total Primary Government	383,365,692	136,274,716	24,927,109	37,426,909	(192,825,636)	8,088,678	(184,736,958)	-
Component Units								
Regional Water Services	31,426,215	33,759,925	184,230	2,015,824	-	-	-	4,533,764
Port Authority	42,966,109	32,353,952	3,624,754	-	-	-	-	(6,987,403)
Total Component Units	74,392,324	66,113,877	3,808,984	2,015,824	-	-	-	(2,453,639)
General Revenues								
Taxes								
Property Taxes, Levied for General Purposes					53,127,175	-	53,127,175	-
Property Taxes, Levied for Debt Service					17,639,710	1,203,262	18,842,972	1,475,527
City Sales Tax					13,312,004	-	13,312,004	-
Franchise Fees					20,363,250	-	20,363,250	-
Other Taxes					2,685,387	-	2,685,387	-
Local Government Aid					63,083,699	-	63,083,699	-
Grants and Contributions Not Restricted to Specific Programs					19,868,660	93,483	19,962,143	-
Investment Income								
Interest Earned on Investments					7,702,266	712,394	8,414,660	2,025,088
Decrease in Fair Value of Investments					(2,132,076)	(399,839)	(2,531,915)	(381,070)
Other Investment Income					1,355,348	15,547	1,370,895	-
Gain on Sale of Capital Assets					62,396	-	62,396	757,690
Miscellaneous					6,090,628	240,820	6,331,448	46,612
Transfers					8,913,826	(8,913,826)	-	-
Total General Revenues and Transfers					212,072,273	(7,048,159)	205,024,114	3,923,847
Change in Net Assets					19,246,637	1,040,519	20,287,156	1,470,208
Net Assets - January 1, as restated					899,778,979	321,283,419	1,221,062,398	186,037,910
Net Assets - December 31					919,025,616	322,323,938	1,241,349,554	187,508,118

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2003

Exhibit 3

	General	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments with Treasurer	20,602,032	7,499,232	20,962,932	11,578,218	-	105,244,771	165,887,185
Cash and Investments with Trustees	-	-	-	15,271,030	-	25,774,252	41,045,282
Interfund Receivable for Pooled							
Cash and Investments Overdrafts	4,170,606	-	-	-	-	-	4,170,606
Imprest Funds	59,690	-	-	-	-	30,625	90,315
Securities Lending Collateral (Note VI.A.)	131,788,939	-	-	-	-	-	131,788,939
Receivables							
Property Taxes - Due from Ramsey County	1,101,898	21,092	472,712	988,030	-	521,961	3,105,693
Property Taxes - Delinquent	1,159,416	32,529	371,107	1,027,439	-	23,215	2,613,706
Accounts (net of allowance for estimated uncollectible)	9,845,430	110,997	96,116	9,608	648,109	1,329,667	12,039,927
Assessments	-	-	-	-	13,335,718	27,741,239	41,076,957
Notes and Loans	-	-	-	-	-	22,848,610	22,848,610
Accrued Interest	658,801	71,880	159,250	278,107	-	860,254	2,028,292
Due from Xcel Energy	1,070,973	-	-	-	-	-	1,070,973
Due from Other Funds	18,296,336	10,000	6,399,026	47,035	6,345,848	1,753,636	32,851,881
Due from Component Units	-	-	-	-	52,127	119,754	171,881
Due from Other Governmental Units	1,398,376	50,312	-	-	21,866,508	5,292,711	28,607,907
Advance to Other Funds	2,391,200	-	-	-	-	1,050,126	3,441,326
Land Held for Resale	-	9,521,989	-	-	-	2,314,584	11,836,573
TOTAL ASSETS	192,543,697	17,318,031	28,461,143	29,199,467	42,248,310	194,905,405	504,676,053

continued

City of Saint Paul, Minnesota
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2003

Exhibit 3

	General	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES							
Liabilities							
Interfund Payable for Pooled							
Cash and Investments Overdrafts	-	-	-	-	2,376,276	1,215,717	3,591,993
Accrued Salaries Payable	5,571,218	-	7,267	-	4,933	1,107,179	6,690,597
Obligations Under Securities Lending (Note VI.A.)	131,788,939	-	-	-	-	-	131,788,939
Accounts Payable	1,843,055	204,108	1,190	-	1,739,754	3,113,181	6,901,288
Contracts/Retention Payable	4,320	767,102	-	-	9,024,724	391,959	10,188,105
Due to Other Funds	2,158,771	57,054	1,715	34,593	539,427	13,669,113	16,460,673
Due to Component Units	886	-	-	-	146,141	-	147,027
Due to Other Governmental Units	2,172,474	64,350	-	8,755	-	2,143,345	4,388,924
Advance from Other Funds	-	-	-	-	2,038,735	6,856,874	8,895,609
Accrued Interest Payable - Securities Lending	113,609	-	-	-	-	-	113,609
Deferred Revenue	11,045,526	9,656,145	681,855	2,088,464	22,959,344	42,391,239	88,822,573
Total Liabilities	154,698,798	10,748,759	692,027	2,131,812	38,829,334	70,888,607	277,989,337
Fund Balances							
Reserved for							
Encumbrances	2,883,723	58,847	-	-	16,128,808	1,648,633	20,720,011
Imprest Funds	59,690	-	-	-	-	30,625	90,315
Advance to Other Funds	2,391,200	-	-	-	-	1,050,126	3,441,326
Long-Term Receivable	-	-	-	-	-	150,000	150,000
Mandatory 5% for Retirement of Debt	-	-	1,126,101	-	-	-	1,126,101
Port Authority Hotel Bonds Moral Obligation	-	-	472,885	-	-	-	472,885
Permanent Fund Activities	-	-	-	-	-	35,000	35,000
Unreserved, Reported in							
General Fund	32,510,286	-	-	-	-	-	32,510,286
Special Revenue Funds	-	6,510,425	-	-	-	47,785,046	54,295,471
Debt Service Funds	-	-	26,170,130	27,067,655	-	15,502,928	68,740,713
Capital Projects Funds	-	-	-	-	(12,709,832)	57,786,650	45,076,818
Permanent Funds	-	-	-	-	-	27,790	27,790
Total Fund Balances	37,844,899	6,569,272	27,769,116	27,067,655	3,418,976	124,016,798	226,686,716
TOTAL LIABILITIES AND FUND BALANCES	192,543,697	17,318,031	28,461,143	29,199,467	42,248,310	194,905,405	504,676,053

The notes to the financial statements are an integral part of this statement.

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City of Saint Paul, Minnesota
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET AND
THE GOVERNMENT - WIDE STATEMENT OF NET ASSETS
For the Fiscal Year Ended December 31, 2003

Exhibit 4

Total Fund Balances - Governmental Funds	\$ 226,686,716
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	1,050,419,786
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements, but are recognized as revenue when earned in the government-wide statements.	70,112,007
Internal Service funds are used by management to charge the costs of various services provided to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	22,019,646
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(450,212,539)</u>
Net Assets of Governmental Activities	<u><u>\$ 919,025,616</u></u>

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
 For the Fiscal Year Ended December 31, 2003

Exhibit 5

	General	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property Taxes							
Current Taxpayer	39,589,778	754,314	17,125,340	-	-	-	57,469,432
Current Tax Increment	101,758	-	-	8,679,813	-	2,967,708	11,749,279
Delinquent Taxpayer	415,001	5,816	184,189	-	-	-	605,006
Delinquent Tax Increment	628	-	-	21,126	-	36,186	57,940
Total Property Taxes	40,107,165	760,130	17,309,529	8,700,939	-	3,003,894	69,881,657
Penalties and Interest on Property Taxes	92,200	-	-	-	-	-	92,200
Forfeited Tax Sale Apportionment	133,142	-	-	-	-	-	133,142
City Sales Tax	-	-	-	-	-	13,312,004	13,312,004
Franchise Fees	17,576,898	-	1,069,824	-	-	1,716,528	20,363,250
Hotel-Motel Tax	629,440	-	-	220,000	-	1,604,779	2,454,219
Contamination Tax	2,945	-	-	-	-	-	2,945
Drugstore and Mortuary Tax	2,881	-	-	-	-	-	2,881
Total Taxes	58,544,671	760,130	18,379,353	8,920,939	-	19,637,205	106,242,298
Licenses and Permits	918,350	-	-	-	-	9,028,203	9,946,553
Intergovernmental Revenue (Schedule 35)	76,195,713	46,766	1,334,090	212,622	32,049,971	26,333,256	136,172,418
Fees, Sales and Services	12,381,517	2,487,136	15,000	415,000	596,778	21,056,737	36,952,168
Assessments	-	-	-	-	3,122,772	18,119,765	21,242,537
Investment Income							
Interest Earned on Investments	2,580,966	296,767	561,077	967,248	54,102	3,848,057	8,308,217
Increase (Decrease) in Fair Value of Investments	(855,330)	(113,935)	(252,422)	(188,089)	(16,965)	(1,221,157)	(2,647,898)
Interest Earned on Securities Lending	1,026,717	-	-	-	-	-	1,026,717
Interest Earned - Other	-	-	-	10,187	-	330,850	341,037
Miscellaneous Revenue							
Program Income	-	-	-	-	-	2,996,905	2,996,905
Other	609,142	-	-	-	3,315,328	7,517,813	11,442,283
Total Revenues	151,401,746	3,476,864	20,037,098	10,337,907	39,121,986	107,647,634	332,023,235

continued

City of Saint Paul, Minnesota
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
 For the Fiscal Year Ended December 31, 2003

Exhibit 5

	General	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
EXPENDITURES							
Current							
General Government	20,995,957	-	503,684	-	336,909	11,590,478	33,427,028
Public Safety	95,205,088	-	-	-	251,664	17,171,407	112,628,159
Highways and Streets	4,948,832	-	-	-	12,977	17,515,956	22,477,765
Sanitation	-	-	-	-	-	2,486,019	2,486,019
Health	-	-	-	-	-	4,019,763	4,019,763
Culture and Recreation	32,339,068	-	-	-	847,420	6,593,701	39,780,189
Housing and Economic Development	793,279	9,616,152	-	-	1,819	31,586,161	41,997,411
Miscellaneous	5,339,604	-	-	-	-	-	5,339,604
Capital Outlay	14,940,903	-	-	-	66,221,729	1,666,477	82,829,109
Debt Service							
Bond Principal	-	-	18,600,000	8,900,000	-	2,540,000	30,040,000
Other Debt Principal	-	-	-	698,320	-	1,701,373	2,399,693
Interest - Bonds	-	-	4,532,463	8,276,423	-	5,882,319	18,691,205
Interest - Securities Lending	939,892	-	-	-	-	-	939,892
Interest - Other Debt	-	86,250	-	170,010	-	2,087,471	2,343,731
Bond Issuance Costs	-	30,660	-	22,750	51,372	210,391	315,173
Total Expenditures	175,502,623	9,733,062	23,636,147	18,067,503	67,723,890	105,051,516	399,714,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,100,877)	(6,256,198)	(3,599,049)	(7,729,596)	(28,601,904)	2,596,118	(67,691,506)
OTHER FINANCING SOURCES (USES)							
Transfers In	9,924,973	-	9,023,337	20,765,565	29,784,607	25,966,354	95,464,836
Transfers Out	(2,854,702)	(1,112,584)	(1,126,557)	(17,689,939)	(3,940,076)	(60,967,060)	(87,690,918)
Bonds Issued	-	-	-	-	3,340,000	23,820,000	27,160,000
Current Refunding Bonds Issued	-	-	3,235,000	1,890,000	-	-	5,125,000
Refunded Bonds	-	-	(3,150,000)	(1,890,000)	-	-	(5,040,000)
Premium on Bonds Issued	-	-	294,696	-	6,654	-	301,350
Notes Issued	-	5,750,000	-	-	-	8,000,000	13,750,000
Capital Lease	13,845,000	-	-	-	-	-	13,845,000
Sale of Capital Assets	41,038	-	-	-	-	14,225	55,263
Total Other Financing Sources (Uses)	20,956,309	4,637,416	8,276,476	3,075,626	29,191,185	(3,166,481)	62,970,531
Net Change in Fund Balances	(3,144,568)	(1,618,782)	4,677,427	(4,653,970)	589,281	(570,363)	(4,720,975)
FUND BALANCES, January 1, as restated (Note III.C.)	40,989,467	8,188,054	23,091,689	31,721,625	2,829,695	124,587,161	231,407,691
FUND BALANCES, December 31	37,844,899	6,569,272	27,769,116	27,067,655	3,418,976	124,016,798	226,686,716

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Fiscal Year Ended December 31, 2003

Exhibit 6

Net Change in Fund Balances - Total Governmental Funds	\$ (4,720,975)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Net Assets, the cost of these assets is capitalized and depreciated over their estimated useful lives with depreciation expense reported in the Statement of Activities.	46,607,024
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(1,777,026)
Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	20,553
Debt and lease proceeds provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	(22,182,424)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	13,824
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	608,706
Internal Service funds are used by management to charge the costs of various services provided to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities.	<u>676,955</u>
Change in Net Assets of Governmental Activities	<u>\$ 19,246,637</u>

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2003

Exhibit 7

December 31, 2003	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Totals	
ASSETS							
Current Assets							
Cash and Investments with Treasurer	2,597,716	20,894,842	10,906,307	5,888,105	2,018,569	42,305,539	10,295,883
Imprest Funds	-	150	-	-	6,500	6,650	925
Receivables							
Delinquent Taxes Receivable	-	-	-	8,684	-	8,684	-
Accounts (net of allowance for estimated uncollectibles)	-	149,903	9,703	899,580	229,280	1,288,466	220,510
Unbilled	-	-	-	-	16,405	16,405	66,892
Assessments	-	8,395,974	1,014	-	-	8,396,988	-
Accrued Interest	11,429	49,897	103,597	48,281	19,860	233,064	325,162
Due from Other Funds	-	218,691	-	-	68,061	286,752	2,796,980
Due from Component Units	-	2,129,907	-	-	5,218	2,135,125	15,001
Due from Other Governmental Units	-	331,542	509	-	177,321	509,372	392,827
Inventories							
Materials and Supplies	-	148,991	-	-	153,529	302,520	1,975,569
Impounded Cars	-	-	-	-	42,444	42,444	-
Prepaid Items	30,621	-	-	-	-	30,621	4,332,463
Land Held for Resale	-	-	3,637,799	-	-	3,637,799	-
Total Current Assets	2,639,766	32,319,897	14,658,929	6,844,650	2,737,187	59,200,429	20,422,212
Noncurrent Assets							
Restricted Assets							
Cash for General Obligation Bond							
Current Debt Service	-	31,304	-	3,716,136	-	3,747,440	-
Cash for Revenue Bond Current							
Debt Service	-	533,792	-	1,914,115	-	2,447,907	-
Cash for Revenue Bond Operations and Maintenance	-	3,118,946	-	494,251	-	3,613,197	-
Cash for Revenue Bond Construction	-	-	-	4,579,637	-	4,579,637	-
Cash for Water Pollution Abatement							
Current Debt Service	-	570,660	-	-	-	570,660	-
Cash for Budget and Rate Stabilization	-	3,781,695	-	-	-	3,781,695	-
Cash for Ramp Capital Projects	112,815	-	-	-	-	112,815	-
Cash for Rental Subsidies/Promotion Reserve	352,967	-	-	-	-	352,967	-
Total Restricted Assets	465,782	8,036,397	-	10,704,139	-	19,206,318	-
Other Assets							
Contract Receivable - Metropolitan							
Council Environmental Services (Note VI.B.)	-	319,317	-	-	-	319,317	-
Advance to Other Funds	-	2,363,735	3,946,836	-	-	6,310,571	5,947,343
Deferred Charges	-	895,467	-	678,370	56,478	1,630,315	-
Other Long-Term Loans Receivable	-	-	26,881,004	-	-	26,881,004	11,054,784
Accrued Interest Receivable on Loans	-	-	1,502,130	-	-	1,502,130	-
Total Other Assets	-	3,578,519	32,329,970	678,370	56,478	36,643,337	17,002,127
							continued

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2003

Exhibit 7

December 31, 2003	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Totals	
Capital Assets							
Land	-	82,186	-	17,734,569	564,999	18,381,754	80,907
Buildings and Structures	1,066,679	143,307	-	72,360,362	4,871,195	78,441,543	6,741,893
Less: Accumulated Depreciation	(680,727)	(100,113)	-	(20,969,433)	(1,725,319)	(23,475,592)	(3,228,443)
Public Improvements	-	343,760,031	-	1,641,449	-	345,401,480	-
Less: Accumulated Depreciation	-	(86,105,522)	-	(214,032)	-	(86,319,554)	-
Equipment	4,114,035	1,266,987	-	31,060	2,295,863	7,707,945	24,452,073
Less: Accumulated Depreciation	(2,699,943)	(783,011)	-	(5,695)	(1,834,085)	(5,322,734)	(16,541,215)
Construction in Progress	-	7,880,126	-	14,638,728	3,527,950	26,046,804	-
Total Capital Assets	1,800,044	266,143,991	-	85,217,008	7,700,603	360,861,646	11,505,215
Total Noncurrent Assets	2,265,826	277,758,907	32,329,970	96,599,517	7,757,081	416,711,301	28,507,342
TOTAL ASSETS	4,905,592	310,078,804	46,988,899	103,444,167	10,494,268	475,911,730	48,929,554
LIABILITIES							
Current Liabilities (Payable from Current Assets)							
Interfund Payable for Pooled							
Cash and Investments Overdrafts	-	-	-	-	354,510	354,510	224,103
Accrued Salaries Payable	7,244	126,110	-	-	175,403	308,757	805,276
Accounts Payable	169,662	316,168	341,859	49,285	230,782	1,107,756	903,664
Contracts Payable	-	-	1,096,204	-	396,195	1,492,399	-
Due to Other Funds	1,709	2,048,405	327,991	24,126	74,883	2,477,114	17,007,353
Due to Component Units	-	56,228	-	-	-	56,228	152
Due to Other Governmental Units	-	-	-	56	24,625	24,681	16,626
Deferred Revenue	669,418	-	-	-	-	669,418	2,705,143
Compensated Absences Payable	-	23,547	-	-	18,615	42,162	132,388
General Obligation Bonds Payable	-	174,167	-	-	-	174,167	-
Revenue Bonds Payable	-	5,270,833	-	393,038	150,000	5,813,871	-
Revenue Notes Payable	-	855,103	-	60,000	-	915,103	-
Capital Lease Payable	136,126	-	-	-	-	136,126	110,292
Accrued Interest Payable							
Revenue Bonds	-	-	-	-	16,132	16,132	-
Revenue Notes	-	202,963	-	79,325	-	282,288	-
Capital Lease	40,494	-	-	-	-	40,494	36,069
Advance from Other Funds	-	-	-	-	35,546	35,546	-
Total Current Liabilities (Payable from Current Assets)	1,024,653	9,073,524	1,766,054	605,830	1,476,691	13,946,752	21,941,066
							continued

continued

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2003

Exhibit 7

December 31, 2003	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Totals	
Current Liabilities (Payable from Restricted Assets)							
Accounts Payable	-	-	-	1,438,931	-	1,438,931	-
General Obligation Bonds Payable	-	15,833	-	1,055,000	-	1,070,833	-
Revenue Bonds Payable	-	479,167	-	991,962	-	1,471,129	-
Accrued Interest Payable							
General Obligation Bonds	-	54,626	-	856,042	-	910,668	-
Revenue Bonds	-	-	-	775,386	-	775,386	-
Total Current Liabilities (Payable from Restricted Assets)	-	549,626	-	5,117,321	-	5,666,947	-
Noncurrent Liabilities							
General Obligation Bonds Payable	-	3,675,000	-	37,140,000	-	40,815,000	-
Less: Unamortized Discount	-	(43,438)	-	-	-	(43,438)	-
Revenue Bonds Payable	-	20,530,000	-	40,715,000	3,240,000	64,485,000	-
Add: Unamortized Premium	-	756,987	-	-	-	756,987	-
Less: Unamortized Discount	-	(106,294)	-	-	(21,325)	(127,619)	-
Revenue Notes Payable	-	16,708,614	-	3,150,000	-	19,858,614	-
Capital Lease Payable	1,624,456	-	-	-	-	1,624,456	2,416,458
Advance from Other Funds	1,756,126	-	-	-	4,050,000	5,806,126	997,505
Compensated Absences Payable	10,395	187,563	-	-	527,423	725,381	1,628,465
Total Noncurrent Liabilities	3,390,977	41,708,432	-	81,005,000	7,796,098	133,900,507	5,042,428
TOTAL LIABILITIES	4,415,630	51,331,582	1,766,054	86,728,151	9,272,789	153,514,206	26,983,494
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	39,461	234,536,632	-	6,279,816	4,331,927	245,187,836	8,733,204
Restricted for:							
Debt Service	-	570,660	-	2,230,416	-	2,801,076	-
Operation and Maintenance	-	3,118,946	-	494,251	-	3,613,197	-
Rate Stabilization	-	3,781,695	-	-	-	3,781,695	-
Total Restricted	-	7,471,301	-	2,724,667	-	10,195,968	-
Unrestricted	450,501	16,739,289	45,222,845	7,711,533	(3,110,448)	67,013,720	13,212,856
TOTAL NET ASSETS	489,962	258,747,222	45,222,845	16,716,016	1,221,479	322,397,524	21,946,060
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds						(73,586)	
Net Assets of Business-Type Activities						322,323,938	

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2003

Exhibit 8

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Totals
OPERATING REVENUES						
Fees, Sales and Services	4,871,572	37,312,928	1,691,109	8,646,251	7,412,536	59,934,396
Rents and Leases	1,833,309	600	-	-	679,210	2,513,119
Interest Earned on Loans	-	-	961,862	-	-	961,862
Miscellaneous	127,554	3,208,812	-	-	18,208	3,354,574
Total Operating Revenues	6,832,435	40,522,340	2,652,971	8,646,251	8,109,954	66,763,951
OPERATING EXPENSES						
Cost of Merchandise Sold	-	-	-	-	258,752	258,752
Salaries	145,433	2,491,854	-	-	3,706,926	6,344,213
Employee Fringe Benefits	42,497	788,284	-	-	957,201	1,787,982
Agent	-	-	-	2,003,947	-	2,003,947
Services	6,182,106	19,040,691	5,401,773	850,727	2,107,492	33,582,789
Materials and Supplies	-	290,842	1,202	58,381	1,159,852	1,510,277
Depreciation	377,568	4,193,543	-	1,920,756	407,717	6,899,584
Bad Debts	-	(15,923)	433,994	-	72,493	490,564
Miscellaneous	415,000	214,207	-	-	4,858	634,065
Total Operating Expenses	7,162,604	27,003,498	5,836,969	4,833,811	8,675,291	53,512,173
OPERATING INCOME (LOSS)	(330,169)	13,518,842	(3,183,998)	3,812,440	(565,337)	13,251,778
NON-OPERATING REVENUES (EXPENSES)						
Property Tax Increment	-	-	-	1,203,262	-	1,203,262
Operating Grant	-	93,483	491,214	-	-	584,697
Gain on Sale of Assets	-	-	-	-	-	-
Investment Income						
Interest Earned on Investments	54,976	238,420	331,248	187,241	138,929	950,814
Decrease in Fair Value of Investments	(18,117)	(117,421)	(164,208)	(68,614)	(31,479)	(399,839)
Interest Earned - Other	-	15,547	-	-	-	15,547
Miscellaneous Other Revenue	91,851	2,938	397,076	-	145,971	637,836
Interest Expense						
General Obligation Bonds	-	(234,626)	-	(2,059,054)	-	(2,293,680)
Revenue Bonds	-	(1,370,723)	-	(1,414,348)	(198,062)	(2,983,133)
Capital Lease	(99,580)	-	-	-	-	(99,580)
Revenue Notes	-	(625,358)	(26,780)	(98,175)	-	(750,313)
Advance from Other Funds	-	-	-	-	(135,546)	(135,546)
Amortization of Bond Issuance Costs	-	(168,502)	-	(26,091)	(3,895)	(198,488)
Loss on Retirement of Assets	-	-	-	-	(458,943)	(458,943)
Total Non-Operating Revenues (Expenses)	29,130	(2,166,242)	1,028,550	(2,275,779)	(543,025)	(3,927,366)
Income (Loss) Before Capital Contributions and Transfers	(301,039)	11,352,600	(2,155,448)	1,536,661	(1,108,362)	9,324,412
Capital Contributions	-	-	-	615,884	-	615,884
Transfers In	-	-	4,164,198	5,616	442,085	4,611,899
Transfers Out	(100,000)	(11,692,962)	(1,549,495)	-	(183,268)	(13,525,725)
Change in Net Assets	(401,039)	(340,362)	459,255	2,158,161	(849,545)	1,026,470
TOTAL NET ASSETS, January 1, as restated (Note III.C.)	891,001	259,087,584	44,763,590	14,557,855	2,071,024	21,255,056
TOTAL NET ASSETS, December 31	489,962	258,747,222	45,222,845	16,716,016	1,221,479	21,946,060
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds						14,049
Total change in net assets of business-type activities						1,040,519

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2003

Exhibit 9

For the Fiscal Year Ended December 31, 2003	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Loan Recipients and Other Customers	7,974,900	704,824	2,399,937	8,519,998	7,761,949	27,361,608	4,294,436
Receipts from Other Funds for Services Provided	-	25,904,262	2,110	-	587,856	26,494,228	33,316,838
Other Operating Receipts	-	12,825,412	-	-	-	12,825,412	84,360
Payment to Suppliers	(6,421,839)	(17,891,965)	-	(2,382,969)	(3,274,945)	(29,971,718)	(8,285,247)
Payment to Employees	(191,160)	(3,298,276)	-	-	(4,623,912)	(8,113,348)	(23,026,204)
Payment to Loan and Grant Recipients	-	-	(7,520,838)	-	-	(7,520,838)	-
Payment to Other Funds for Services Used	-	(1,588,245)	(727,029)	(521,584)	(332,260)	(3,169,118)	(4,861,070)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,361,901	16,656,012	(5,845,820)	5,615,445	118,688	17,906,226	1,523,113
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers In from Other Funds	-	-	4,164,199	5,616	442,085	4,611,900	1,361,000
Transfers Out to Other Funds	(100,000)	(9,750,599)	(1,249,496)	-	(183,269)	(11,283,364)	(247,496)
Property Tax Increments Received	-	-	-	1,111,305	-	1,111,305	-
Operating Grants Received	-	94,517	491,214	-	-	585,731	1,873,268
Noncapital Contributions Received from Outside Sources	-	-	397,076	-	-	397,076	-
Principal Payments on Long-Term Notes	-	-	(2,950,000)	-	-	(2,950,000)	-
Advance Received From Other Funds	126,981	-	-	-	-	126,981	16,512,714
Advance Received for Pooled Cash and Investments Overdraft	-	-	-	-	(18,921)	(18,921)	7,955
Interest Paid on Long-Term Notes for Noncapital Items	-	-	(26,780)	-	-	(26,780)	-
Advance Made to Other Funds	-	(750,000)	(1,060)	-	-	(751,060)	-
Repayment of Advance Received from Other Funds	-	-	-	-	-	-	(17,439,363)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	26,981	(10,406,082)	825,153	1,116,921	239,895	(8,197,132)	2,068,078
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Payment Received on Current Value Credits							
Principal	-	69,314	-	-	-	69,314	-
Interest	-	15,547	-	-	-	15,547	-
Proceeds from Revenue Bond Issuance	-	27,036,988	-	-	-	27,036,988	-
Proceeds from Sale of Capital Assets							
Buildings and Structures	-	-	-	-	55,640	55,640	-
Equipment	-	-	-	-	-	-	25,493
Principal Paid on Debt Maturities							
General Obligation Bonds	-	(180,000)	-	(950,000)	-	(1,130,000)	-
Revenue Bonds	-	(33,755,000)	-	(1,315,000)	(140,000)	(35,210,000)	-
Revenue Notes	-	(827,504)	-	(60,000)	-	(887,504)	-
Capital Lease	(128,912)	-	-	-	-	(128,912)	(104,254)
Payments for Acquisition and Construction of Capital Assets							
Land	-	-	-	-	-	-	-
Buildings and Structures	(12,039)	-	-	(182,462)	-	(194,501)	(202,749)
Public Improvements	-	-	-	(60,589)	-	(60,589)	-
Equipment	(41,651)	(12,940)	-	-	(51,505)	(106,096)	(1,864,095)
Construction in Progress	-	(453,490)	-	(11,899,946)	(2,863,616)	(15,217,052)	-
Interest Paid On							
General Obligation Bonds	-	(193,205)	-	(2,081,815)	-	(2,275,020)	-
Revenue Bonds	-	(1,503,760)	-	(1,434,335)	(197,085)	(3,135,180)	-
Capital Lease	(102,545)	-	-	-	-	(102,545)	(147,275)
Revenue Notes	-	(634,772)	-	(101,200)	-	(735,972)	-
Advance from Other Funds	-	-	-	-	(100,000)	(100,000)	-
Payment of Bond Issuance Costs	-	(200,143)	-	-	-	(200,143)	-
Payment of Arbitrage Rebate	-	(4,900)	-	-	-	(4,900)	-
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(285,147)	(10,643,865)	-	(18,085,347)	(3,296,566)	(32,310,925)	(2,292,880)

continued

City of Saint Paul, Minnesota
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2003

Exhibit 9

For the Fiscal Year Ended December 31, 2003	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from Sales and Maturities of Investment Securities	-	5,275,000	-	-	-	5,275,000	-
Interest and Dividends Received	49,184	394,658	438,022	179,850	128,382	1,190,096	2,506
Decrease in Fair Value of Investments	(18,116)	(172,609)	(242,662)	(68,614)	(31,480)	(533,481)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	31,068	5,497,049	195,360	111,236	96,902	5,931,615	2,506
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,134,803	1,103,114	(4,825,307)	(11,241,745)	(2,841,081)	(16,670,216)	1,300,817
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,928,695	27,828,275	15,731,614	27,833,989	4,866,150	78,188,723	8,995,991
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,063,498	28,931,389	10,906,307	16,592,244	2,025,069	61,518,507	10,296,808
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating Income (Loss)	(330,169)	13,518,842	(3,183,998)	3,812,440	(565,337)	13,251,778	(2,165,639)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities							
Depreciation	377,568	4,193,543	-	1,920,756	407,717	6,899,584	2,023,999
Increase (Decrease) in Allowance for Uncollectible Accounts/Loans	-	(16,423)	(555,928)	-	45,878	(526,473)	48,398
Non-operating Miscellaneous Other Revenue Received	91,851	2,938	-	-	145,971	240,760	34,859
Non-operating Miscellaneous Other Expenses Paid	-	-	-	-	-	-	(6,121)
Changes in Assets and Liabilities (Increase) Decrease in							
Accounts Receivable	-	(115,903)	(545)	(134,397)	(107,652)	(358,497)	(57,109)
Unbilled Accounts Receivable	764,674	-	-	-	(1,524)	763,150	(44,455)
Assessments Receivable	-	435,209	-	-	-	435,209	-
Notes and Loans Receivable	-	-	567,555	-	-	567,555	859,287
Accrued Interest Receivable	-	-	(261,497)	-	-	(261,497)	(98,505)
Due from Other Funds	-	(83,171)	-	8,144	136,711	61,684	475,036
Due from Component Units	-	(1,395,943)	-	-	30,008	(1,365,935)	(10,906)
Due from Other Governmental Units	-	69,528	(509)	-	61,804	130,823	(135,915)
Inventories	-	(48,410)	-	-	42,293	(6,117)	(35,915)
Prepaid Items	5,255	-	-	-	-	5,255	(228,572)
Land Held for Resale	-	-	(3,497,799)	-	-	(3,497,799)	-
Increase (Decrease) in							
Accrued Salaries Payable	845	23,639	-	-	28,449	52,933	4,095
Compensated Absences Payable	(4,076)	(41,776)	-	-	11,767	(34,085)	66,185
Accounts Payable	169,662	179,373	220,465	(1,688)	(110,463)	457,349	283,027
Contracts and Retention Payable	-	-	972,458	-	-	972,458	-
Due to Other Funds	350	(66,451)	(106,022)	10,151	(21,304)	(183,276)	(14,345)
Due to Component Units	-	1,017	-	-	-	1,017	152
Due to Other Governmental Units	-	-	-	39	14,370	14,409	13,092
Deferred Revenue	285,941	-	-	-	-	285,941	512,465
Total Adjustments	1,692,070	3,137,170	(2,661,822)	1,803,005	684,025	4,654,448	3,688,752
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,361,901	16,656,012	(5,845,820)	5,615,445	118,688	17,906,226	1,523,113

continued

For the Fiscal Year Ended December 31, 2003	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds	
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Total	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS							
Cash and Investments with Treasurer	2,597,716	20,894,842	10,906,307	5,888,105	2,018,569	42,305,539	10,295,883
Imprest Funds	-	150	-	-	6,500	6,650	925
Restricted Cash							
For General Obligation Bond Current Debt Service	-	31,304	-	3,716,136	-	3,747,440	-
For Revenue Bond Current Debt Service	-	533,792	-	1,914,115	-	2,447,907	-
For Revenue Bond Operation and Maintenance	-	3,118,946	-	494,251	-	3,613,197	-
For Revenue Bond Construction	-	-	-	4,579,637	-	4,579,637	-
For Water Pollution Abatement Current Debt Service	-	570,660	-	-	-	570,660	-
For Cash for Budget and Rate Stabilization	-	3,781,695	-	-	-	3,781,695	-
For Cash for Ramp Capital Projects	112,815	-	-	-	-	112,815	-
For Cash for Rental Subsidies/Promotion Reserve	352,967	-	-	-	-	352,967	-
TOTAL CASH AND CASH EQUIVALENTS	3,063,498	28,931,389	10,906,307	16,592,244	2,025,069	61,518,507	10,296,808
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Capital Assets Purchased on Account							
Equipment	-	-	-	-	-	-	30,285
Construction in Progress	-	-	-	-	396,195	396,195	-
Portion of Advance to Other Funds in Exchange for Capital Asset -							
Construction in Progress	-	2,674,519	-	-	-	2,674,519	-
Net Book Value of Traded Capital Assets	-	-	-	-	-	-	40,697
Loss Incurred on Acquisition of Asset Through Trade-In	-	-	-	-	-	-	(32,697)
Loss on Sale of Assets	-	-	-	-	-	-	(20,016)
Loss on Retirement of Assets	-	-	-	-	(458,943)	(458,943)	-

The notes to the financial statements are an integral part of this statement.

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City of Saint Paul, Minnesota
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2003

Exhibit 10

ASSETS

Cash and Investments with Treasurer	2,327,416
Receivables	
Property Taxes - Due from Ramsey County	16,377
Accounts (net of allowance for estimated uncollectibles)	7,472
Accrued Interest	6,549
Due from Other Funds	9,527
Due from Other Governmental Units	791
	<hr/>
TOTAL ASSETS	2,368,132
	<hr/> <hr/>

LIABILITIES

Accounts Payable	1,075,880
Due to Other Governmental Units	1,292,252
	<hr/>
TOTAL LIABILITIES	2,368,132
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2003

Exhibit 11

	Regional Water Services	Port Authority	Total
ASSETS			
Current Assets			
Cash and Investments	3,001,489	1,963,920	4,965,409
Investments	24,298,724	-	24,298,724
Departmental Cash	393,341	-	393,341
Imprest Funds	7,000	-	7,000
Receivables			
Accounts (net of allowance for Estimated Uncollectibles)	3,711,351	7,499,022	11,210,373
Assessments	2,463,572	-	2,463,572
Accrued Interest	266,600	-	266,600
Due from Primary Government	203,407	-	203,407
Due from Other Governmental Units	684,990	-	684,990
Inventory - Materials and Supplies	1,470,439	503,870	1,974,309
Prepaid Items	-	242,955	242,955
Total Current Assets	36,500,913	10,209,767	46,710,680
Noncurrent Assets			
Restricted Assets			
Cash for Grants and Other Contributions Program	11,431	-	11,431
Cash for Port Authority Operations	-	4,868,667	4,868,667
Cash for General Obligation Bond Current Debt Service	-	1,858,980	1,858,980
Cash for Revenue Bond Current Debt Service	-	4,427,172	4,427,172
Cash for Other Funds Held in Trust	-	3,687,158	3,687,158
Investments for Port Authority Operations	-	3,142,186	3,142,186
Investments for Revenue Bond Current Debt Service	2,252,117	-	2,252,117
Investments for Revenue Bond Future Debt Service	3,708,437	6,146,955	9,855,392
Investments for Revenue Bond Construction	-	445,912	445,912
Investments for Revenue Bond Operations and Maintenance	1,008,728	-	1,008,728
Investments for City Obligations	-	14,644,889	14,644,889
Accrued Interest Receivable	-	94,225	94,225
Total Restricted Assets	6,980,713	39,316,144	46,296,857
Other Assets			
Deferred Charges	100,441	1,225,039	1,325,480
Other Long-Term Receivables	235,515	8,060,752	8,296,267
Taxes Receivable	-	16,698,236	16,698,236
Total Other Assets	335,956	25,984,027	26,319,983
Capital Assets			
Land	1,329,617	13,494,607	14,824,224
Buildings and Structures	34,813,130	78,494,289	113,307,419
Less: Accumulated Depreciation	(7,777,244)	(34,643,898)	(42,421,142)
Public Improvements	176,648,191	-	176,648,191
Less: Accumulated Depreciation	(51,884,393)	-	(51,884,393)
Equipment	29,719,329	17,909,684	47,629,013
Less: Accumulated Depreciation	(14,335,103)	(14,303,779)	(28,638,882)
Construction in Progress	25,503,697	446,131	25,949,828
Total Capital Assets	194,017,224	61,397,034	255,414,258
Total Noncurrent Assets	201,333,893	126,697,205	328,031,098
Total Assets	237,834,806	136,906,972	374,741,778

continued

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2003

Exhibit 11

	Regional Water Services	Port Authority	Total
LIABILITIES			
Current Liabilities (Payable from Current Assets)			
Accrued Salaries Payable	581,411	749,956	1,331,367
Compensated Absences Payable	79,927	135,000	214,927
Claims and Judgments Payable	410,357	973,000	1,383,357
Accounts Payable	2,366,373	2,566,649	4,933,022
Contract Retention Payable	185,589	188,493	374,082
Due to Primary Government	2,322,007	-	2,322,007
Due to Other Governmental Units	1,191,376	965,897	2,157,273
Deferred Revenue	162,875	2,280,728	2,443,603
Revenue Notes Payable	1,192,547	-	1,192,547
Capital Lease Payable	144,614	-	144,614
Accrued Interest Payable on Revenue Notes	71,511	-	71,511
Other Liabilities	-	921,934	921,934
Total Current Liabilities (Payable from Current Assets)	8,708,587	8,781,657	17,490,244
Current Liabilities (Payable from Restricted Assets)			
Accounts Payable	572	-	572
General Obligation Bonds	-	14,895,000	14,895,000
Revenue Bonds Payable	1,315,000	2,098,512	3,413,512
Revenue Notes Payable	-	1,092,746	1,092,746
Accrued Interest Payable	-	-	-
General Obligation Bonds	-	638,549	638,549
Revenue Bonds	77,468	1,339,335	1,416,803
Total Current Liabilities (Payable from Restricted Assets)	1,393,040	20,064,142	21,457,182
Noncurrent Liabilities			
General Obligation Bonds Payable	-	23,725,000	23,725,000
Less: Unamortized Discount	-	(514,788)	(514,788)
Revenue Bonds Payable	20,185,000	77,236,971	97,421,971
Less: Unamortized Discount	-	(801,720)	(801,720)
Revenue Notes Payable	15,369,843	9,312,196	24,682,039
Less: Unamortized Discount	(307,590)	-	(307,590)
Accrued Interest Payable on Revenue Note	-	1,684,699	1,684,699
Capital Lease Payable	-	20,923	20,923
Compensated Absences Payable	1,506,088	-	1,506,088
Claims and Judgments Payable	869,612	-	869,612
Total Noncurrent Liabilities	37,622,953	110,663,281	148,286,234
Total Liabilities	47,724,580	139,509,080	187,233,660
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	163,412,399	(29,507,112)	133,905,287
Restricted	6,891,814	9,062,465	15,954,279
Unrestricted	19,806,013	17,842,539	37,648,552
Total Net Assets	190,110,226	(2,602,108)	187,508,118

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF ACTIVITIES
ALL DISCRETELY PRESENTED COMPONENT UNITS
For The Fiscal Year Ended December 31, 2003

Exhibit 12

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
					Regional Water Services	Port Authority	Totals
Regional Water Services	31,426,215	33,759,925	184,230	2,015,824	4,533,764	-	4,533,764
Port Authority	42,966,109	32,353,952	3,624,754	-	-	(6,987,403)	(6,987,403)
Total Component Units	74,392,324	66,113,877	3,808,984	2,015,824	4,533,764	(6,987,403)	(2,453,639)
General Revenues							
Taxes							
Property Taxes, Levied for Debt Service					-	1,475,527	1,475,527
Investment Income							
Interest Earned on Investments					1,187,283	837,805	2,025,088
Decrease in Fair Value of Investments					(381,070)	-	(381,070)
Gain on Sale of Capital Assets					757,690	-	757,690
Miscellaneous					46,612	-	46,612
Total General Revenues					1,610,515	2,313,332	3,923,847
Change in Net Assets					6,144,279	(4,674,071)	1,470,208
Net Assets - January 1					183,965,947	2,071,963	186,037,910
Net Assets - December 31					190,110,226	(2,602,108)	187,508,118

The notes to the financial statements are an integral part of this statement.

CITY OF SAINT PAUL
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL
SECTION

NOTES TO THE FINANCIAL STATEMENTS

City of Saint Paul

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December 31, 2003

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City of Saint Paul

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City of Saint Paul

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Note I. Form of Government

The City of Saint Paul, Minnesota has a mayor-council form of government. The mayor is elected by the voters of the City at large for four years on a full-time basis. The City is divided into seven wards. Voters of each ward elect a member of the City Council for four years on a part-time basis. Executive power is vested in the mayor; legislative power is vested in the Council. The mayor has veto power, which the Council may override with a vote of five members.

Note II. Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 – *The Financial Reporting Entity*, the City's financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable for the component unit if it appoints a voting majority of the component unit's governing body and is able to impose its will on the component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Saint Paul (the primary government) and its component units (legally separate organizations). The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. Blended component units' financial data is reported as part of the primary government and are reported with similar funds of the primary government. Discretely presented component units' financial data is reported in a column separate from the financial data of the primary government to emphasize that they are legally separate from the City.

Blended Component Unit. The following component unit has been presented as a blended component unit because the component unit's governing body is substantively the same as the governing body of the City.

Housing and Redevelopment Authority of the City of Saint Paul (HRA)

The Housing and Redevelopment Authority of the City of Saint Paul (HRA) was established to undertake urban renewal programs. These programs strive to redevelop the residential, commercial and industrial areas of the City of Saint Paul and to provide adequate jobs, a sound fiscal base and a variety of affordable housing for City residents. The City of Saint Paul's City Council members act as the HRA board. The Authority's budget and tax levy are approved by the City Council. The City has a general obligation pledge on certain HRA debt. Separate financial statements for the HRA can be obtained from the City of Saint Paul, Department of Planning and Economic Development, 1400 City Hall Annex, 25 West Fourth Street, Saint Paul, MN 55102.

Discretely Presented Component Units. The component unit columns in the government-wide financial statements includes the financial data of the City's other component units. The governing bodies of these component units are not substantively the same as the governing body of the primary government and the component units do not provide services exclusively to the primary government.

Note II. Financial Reporting Entity (continued)

Saint Paul Regional Water Services

The Saint Paul Regional Water Services is charged with the responsibility of providing safe, quality water to its customers in an efficient manner at a reasonable cost. There are seven Water Board Commissioners. Five board members are appointed by the Mayor with the consent of the City Council, three of whom are City Council members. The remaining two board members are appointed by suburban city councils. The City Council approves the Regional Water Services' water rates and the City has issued general obligation bonded debt on behalf of the Regional Water Services. As part of the annual audit performed by the State Auditor's Office, the Regional Water Services' financial statements have been included in their audit. Separate financial statements can be obtained from the Regional Water Services' Finance Department; 8 Fourth Street East, Suite 300, Saint Paul, MN 55101.

Port Authority of the City of Saint Paul

The Port Authority of the City of Saint Paul was established to promote and develop commercial, industrial and manufacturing enterprises and encourage employment within the City. The Mayor appoints the Port Authority's board of commissioners with the consent of the City Council. Two of the seven board of commissioners are City Council members. The Port Authority has issued general obligation debt and the Authority's development activities are financed in part with tax increment financing. It should be noted that other debt issued by the Port Authority, including industrial development revenue bonds, are not liabilities of the City of Saint Paul. The Port Authority considers these bonds as no-commitment debt, and they are excluded from its financial statements. The Authority defines no-commitment debt as debt for which the Authority has no further financial obligation. The industrial development bonds do not constitute indebtedness of the City and are secured solely by revenues from the commercial organizations on whose behalf the bonds are issued.

The Port Authority's component unit, Capital City Properties (CCP), is a Minnesota not-for-profit corporation established in 1991 for the purpose of performing the functions and carrying out the public purposes of the Port Authority. All of the members of the board of directors of CCP are either commissioners or staff of the Port Authority. CCP operates the Radisson Riverfront Hotel St. Paul, Radisson City Center Hotel St. Paul and Capital City Plaza Parking Garage St. Paul. The operating results of CCP are included in the Port Authority financial statements.

The City assumes no responsibility for the day-to-day operations of the Port Authority, nor is it responsible for financing deficits. Separate financial statements can be obtained from the Port Authority of the City of Saint Paul, Chief Financial Officer, 1900 Landmark Towers, 345 St. Peter Street, Saint Paul, MN 55102.

Related Organizations. The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. Related organizations are not included in the City's reporting entity.

The Public Housing Agency of the City of Saint Paul owns and operates housing projects for low income, elderly and handicapped families. The commissioners of the Public Housing Agency are appointed by the City Council. The City does not provide funding, has no obligation for the debt of the Agency, and cannot impose its will on the Agency.

The Riverfront Redevelopment Corporation was established to effect the planning and implementation of the development and preservation of the Mississippi River Corridor within Saint Paul. The operations of the Redevelopment Corporation are managed by a board of directors consisting of not less than eight, nor more than seventeen members. All members of the board of directors are appointed by the Mayor with the consent of the City Council. Four of the directors of the corporation are designated as the "City representatives."

Note II. Financial Reporting Entity (continued)

Related Organizations (continued)

These are (i) Mayor or the Mayor's designee, (ii) two members of the City Council and (iii) the Director of the City of Saint Paul, Department of Planning and Economic Development. The City has no ability to impose its will to significantly influence the programs, projects or level of services performed or provided by the Riverfront Redevelopment Corporation. The City is not responsible for funding debts, operating deficiencies and/or disposing of surpluses.

Joint Venture. The Minneapolis/Saint Paul Housing Finance Board (the Board) was established in accordance with a Joint Powers Agreement entered into between the Housing and Redevelopment Authority of the City of Saint Paul (HRA), the Minneapolis Community Development Agency (MCDA), and accepted by the cities of Minneapolis and Saint Paul under State of Minnesota laws. The governing bodies of the HRA and the MCDA each appoint three of the six members of the Board. The Board was created for the public purpose of providing decent, safe, sanitary and affordable housing to the residents of the City of Saint Paul and the City of Minneapolis. The powers exercised by the Board include the power to undertake financing programs to implement individual components of the housing plan for each city and to issue revenue bonds to finance such programs. All bonds are special limited obligations of the Board and shall be payable only out of funds specifically pledged for each issue. Total net assets at December 31, 2003 was \$17,397,606. The 2003 operations resulted in a decrease of \$3,304,765 to net assets.

During 2003, the Board made a distribution of \$367,076 to the HRA, and distributions of \$530,367 to the MCDA and \$32,616 to the Family Housing Fund, a nonprofit organization. The distribution to the HRA was in the form of loans receivable and was recorded in the HRA Loan Enterprise Fund as a noncapital contribution.

Upon dissolution of the Board, all properties acquired by the Board and any surplus monies shall be distributed to the HRA and the MCDA in the proportion and otherwise pursuant to directions provided in the related indenture of trust or other bond documents. If properties acquired by the Board and any surplus monies are not traceable to a particular bond issue or the indenture is silent as to distribution of the assets upon discharge of the issue, the assets shall be distributed on the basis of the amount of funds each entity has contributed that would affect those assets. The respective percentage shares of the HRA and the MCDA in the Board's assets, liabilities and equity were not determined at December 31, 2003. There has been no investment made by the HRA in the joint venture. Thus, the financial statements do not reflect an equity interest in the joint venture. Complete financial statements of the Board can be obtained from the MCDA, Suite 700, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, MN 55401.

Note III. Summary of Significant Accounting Policies

The financial statements of the City of Saint Paul have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. *GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and are prepared on the full accrual basis. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City allocates indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity/net assets, revenues and expenditures/expenses. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Note III. Summary of Significant Accounting Policies (continued)

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The City reports the following major governmental funds:

Major Governmental Funds

- General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- HRA General Fund – accounts for the HRA’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- General Debt Service – accounts for resources accumulated and payments made for principal and interest on long-term obligations other than tax increment district or enterprise fund debt.
- HRA General Debt Service – accounts for HRA resources accumulated and payments made for principal and interest on long-term obligations other than enterprise fund debt.
- Capital Improvement Projects – accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

The City reports the following major enterprise funds:

Major Enterprise Funds

- RiverCentre Operating – accounts for the operation and maintenance of the RiverCentre facilities, which are managed by the RiverCentre Authority.
- Sewer Utility – accounts for all fees collected from the customers connected to the City sewer system and for all expenses of operating this system.
- HRA Loan Enterprise – accounts for loans issued under HRA housing and business programs.
- HRA Parking – accounts for parking revenues which are used for acquisition, construction, operation and maintenance of HRA-owned parking facilities.

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Note III. Summary of Significant Accounting Policies (continued)

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The City reports the following non-major governmental and enterprise funds:

Non-Major Governmental Funds

- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
 - ▶ Special Projects – General Government
 - ▶ Finance Special Projects
 - ▶ Cable Communications
 - ▶ Charitable Gambling Enforcement
 - ▶ Debt – Capital Improvement
 - ▶ Utilities Rate Investigation Administration
 - ▶ Property Code Enforcement
 - ▶ License and Permit
 - ▶ Police Services – Pension Assets
 - ▶ Crime Laboratory
 - ▶ Parking Enforcement
 - ▶ Special Projects Police
 - ▶ Police Officers Clothing
 - ▶ Fire Responsive Services
 - ▶ Fire Fighting Equipment
 - ▶ Fire Protection Clothing
 - ▶ Street Repair and Cleaning
 - ▶ Parking Meter Collections
 - ▶ Lighting Maintenance Assessment Districts
 - ▶ Right of Way
 - ▶ Solid Waste and Recycling
 - ▶ Public Health
 - ▶ Special Projects – Division of Health
 - ▶ Community Education Program
 - ▶ Municipal Stadium
 - ▶ Street Tree Maintenance
 - ▶ Como Campus
 - ▶ Special Recreation Activities
 - ▶ Municipal Athletic Programming
 - ▶ Recreation Centers Special Accounts
 - ▶ Charitable Gambling
 - ▶ Parks and Recreation Private Donations
 - ▶ Parks and Recreation Grants and Aids
 - ▶ Library Special Revenue Fund
 - ▶ Library Aids and Grants
 - ▶ Rella Havens Memorial Fund
 - ▶ Community Development Block Grant
 - ▶ State Grant Programs
 - ▶ HRA Federal and State Programs
 - ▶ Section 108 Programs

Note III. Summary of Significant Accounting Policies (continued)

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The City reports the following non-major governmental and enterprise funds: (continued)

Non-Major Governmental Funds (continued)

- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
 - ▶ G.O. Special Assessment – Streets
 - ▶ City Revenue Bonds and Other Long-Term Debt
 - ▶ Revenue Notes and Other Long-Term Debt
- Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.
 - ▶ Capital Improvement Bonds
 - ▶ City Sales Tax
 - ▶ City Downtown Capital Projects
 - ▶ HRA Tax Increment
- Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs; that is, for the benefit of the government or its citizenry.
 - ▶ Japanese Gardens
 - ▶ Hoffman Memorial

Non-Major Enterprise Funds

- Enterprise Funds are used to report any activity for which a fee is charged to external users of goods or services, and must be used for activities which meet certain debt or cost-recovery criteria.
 - ▶ Special Services
 - ▶ Rice and Arlington Sports Dome
 - ▶ Watergate Marina
 - ▶ Impounding Lot
 - ▶ RiverPrint Saint Paul/Ramsey County

In addition, the City reports the following fund types:

- Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis, including attorney, purchasing, technology, equipment, engineering and administrative services.
- Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. These funds include employee withholding; funds payable to the State of Minnesota for sales and use tax, building permit surcharge and unclaimed property; and others.

Note III. Summary of Significant Accounting Policies (continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements – Governmental Funds

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues

Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance the expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Nonexchange Transactions

Derived tax revenue transactions result from assessments imposed by governments on exchange transactions. Hotel-motel tax and City sales tax are reported as revenue when the underlying exchange occurs and the receivable amount is available.

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, franchise fees and capital improvement special assessments are imposed nonexchange transactions. Revenues from property taxes and capital improvement special assessments are recognized in the period for which they were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes, franchise fees and capital improvement special assessments receivable which are not available are reported as deferred revenue, and will be recognized as revenue in the fiscal year that they become available. The City considers these revenues as available if they are collected within sixty days after year end.

Note III. Summary of Significant Accounting Policies (continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

Fund Financial Statements – Governmental Funds (continued)

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and may also establish time requirements. Federal and state grants mandating the City perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when the eligibility and time requirements are met, usually when the corresponding expenditure is incurred, using the guidelines of the legal and contractual requirements of the individual programs.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations and donations. The provider may establish purpose restrictions and eligibility requirements. Revenues are recognized in the year to which they apply according to statute or contract. Gifts and contributions from individuals and miscellaneous revenues are also considered voluntary nonexchange transactions, and are generally recognized when received in cash because they are not measurable until received. Tax credits paid by the state (included in intergovernmental revenue) are recognized as revenue in the fiscal year that they become available. The City considers revenues from tax credits paid by the state as available if they are collected within sixty days after year end.

Exchange Transactions

Exchange transactions include revenues such as interest earned, service-type special assessments, fees, sales and services, licenses and permits. Sales and services, interest earned and service-type special assessments are reported as revenue when they become both measurable and available to finance expenditures of the fiscal period. The City considers these revenues as available if they are collected within sixty days after year end. Licenses, permits and fees are reported as revenue when received in cash, because they are usually not measurable until received.

Expenditures

Expenditures are recorded under the modified accrual method when the fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Fund Financial Statements – Proprietary Funds and Fiduciary Funds

Proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Material unbilled accounts receivables are recorded at year end.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note III. Summary of Significant Accounting Policies (continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

Fund Financial Statements – All Funds

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

C. RESTATEMENT OF FUND EQUITY

1. Prior Period Adjustment for Correction to Liability for Claims and Judgments Payable

The January 1, 2003 liability for Claims and Judgments Payable, as reported in the Governmental Activities Statement of Net Assets, was restated due to a change in calculation in the workers' compensation liability which was used to determine the 2001 liability. As a result of the correction, the January 1, 2003 Claims and Judgments Payable was restated as follows:

	<u>Amount</u>
Balance, January 1, 2003, as previously reported	\$12,790,533
Prior Period Adjustment for Correction to Workers' Compensation Liability	<u>6,272,474</u>
Balance, January 1, 2003, as restated	<u><u>\$19,063,007</u></u>

2. Prior Period Adjustment to the General Fund

Materials and Supply Inventory

The City decided to eliminate the materials and supply inventory recorded in the General Fund.

Correction of Revenue Recognition

The General Fund overstated intergovernmental revenue in the prior period. Reimbursements from the Federal Emergency Management Agency (FEMA) Federal Disaster Assistance for costs associated with Disaster #1370, mainly for dredging done at the Harriet Island lower harbor, were disallowed.

	<u>Fund Balance</u>
Balance, January 1, 2003, as previously reported	\$41,606,331
Materials and Supply Inventory	(302,634)
Correction of Revenue Recognition	<u>(314,230)</u>
Balance, January 1, 2003, as restated	<u><u>\$40,989,467</u></u>

Note III. Summary of Significant Accounting Policies (continued)

C. RESTATEMENT OF FUND EQUITY (continued)

3. Prior Period Adjustment to RiverCentre Operating Fund

Certain costs associated with the Roy Wilkins Auditorium renovation should have been expensed in the prior period.

	<u>Net Assets</u>
Net Assets, January 1, 2003, as previously reported	\$ 1,135,909
Expense for Roy Wilkins Auditorium Renovation	<u>(244,908)</u>
Net Assets, January 1, 2003, as restated	<u><u>\$ 891,001</u></u>

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Investments

The City maintains a general portfolio, which is a pool of investments covering pooled cash and cash equivalents. The City's Treasury Division also manages the deposit and investment function of the Regional Water Services discretely presented component unit. Each fund's portion of this pool is displayed on the financial statements within "Cash and Investments with Treasurer." Funds which have overdrawn their equity in the cash and investments pool report this overdraft as an interfund payable. The City's General Fund has reported the offsetting interfund receivable. At December 31, 2003, the following amounts were reported as "Cash and Investments with Treasurer" in the General Fund:

	<u>General Fund</u>
Equity in Cash and Investments Pool	\$ 24,772,638
Less Advance to Other Funds for Overdrafts	<u>(4,170,606)</u>
Cash and Investments with Treasurer	<u><u>\$ 20,602,032</u></u>

See Note VI. F. For a detail listing of funds reporting an interfund payable for pooled cash and investments overdrafts.

Cash equivalents are cash on hand, cash in bank and highly-liquid investments adjusted to fair value having original maturities (time span from purchase date to maturity date) of three months or less. Cash equivalents are identified only for the purpose of the Statement of Cash Flows. Included in the classification of cash equivalents are cash and investments with treasurer, cash and investments of imprest funds and restricted cash.

In addition, the City invests non-pooled cash within various funds. In accordance with Governmental Accounting Standards Board Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (Statement 31), the City's investments are reported at fair value with recognition of the corresponding changes in fair value of investments reported as revenue in the year in which the change occurred. Accordingly, investments are stated at fair value based upon quoted market prices at December 31, 2003. Investments in nonparticipating interest-earning contracts, such as savings accounts and nonnegotiable certificates of deposit are reported at cost. Money market investments and participating interest-earning investment contracts (negotiable certificates of deposit) are reported at amortized cost, since these investments had a remaining maturity of one year or less at the time of purchase. Money market investments are short-term, highly-liquid debt instruments including commercial paper, bankers acceptances and U.S. Treasury and agency obligations.

Note III. Summary of Significant Accounting Policies (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

1. Cash and Investments (continued)

Since it is the City's practice to ensure that investments can be held to maturity if necessary, a portion of fund equity in the governmental funds is designated for net unrealized gains if applicable. The amounts of unrealized gains or losses are included in investment income as an increase (decrease) in fair value of investments. In 2003, the City recorded a "decrease in fair value of investments" as investment income of \$(3,047,737) for governmental and proprietary funds. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year were included as part of the change in the fair value of investments reported in the current year.

In accordance with legal provisions, investment earnings from pooled deposits and investments are recorded in the following funds:

General Fund

Special Revenue Funds:

- HRA General Fund
- Special Projects – General Government
- Debt – Capital Improvement
- Police Services – Pension Assets
- Special Projects Police
- Municipal Athletic Programming
- Charitable Gambling
- Rella Havens Memorial Fund
- State Grant Programs
- HRA Federal and State Programs
- Section 108 Programs

Debt Service Funds:

- General Debt Service
- HRA General Debt Service
- G.O. Special Assessment – Streets
- City Revenue Bonds and Other Long-Term Debt
- Revenue Notes and Other Long-Term Debt

Capital Projects Funds:

- Capital Improvement Projects
- Capital Improvement Bonds
- City Sales Tax
- HRA Tax Increment

Note III. Summary of Significant Accounting Policies (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

1. Cash and Investments (continued)

Enterprise Funds:

- RiverCentre Operating
- Sewer Utility
- HRA Loan Enterprise
- HRA Parking
- Special Services
- Rice and Arlington Sports Dome

Permanent Funds:

- Japanese Gardens
- Hoffman Memorial

Investment earnings are allocated based on average monthly cash balances.

See Note VI. A. for further information.

2. Receivables

Property Taxes

Property tax levies are set by the City Council in October each year, and are certified to Ramsey County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. Personal property taxes on leased government-owned property may be paid in two equal installments on May 15 and October 15; property taxes on other personal property are to be paid in full on May 15.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable, and are fully offset by deferred revenue, because they are not known to be available to finance current expenditures. No allowance for uncollectible taxes has been provided, because such amounts are not expected to be material.

Accounts Receivable

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$1,693,611.

Note III. Summary of Significant Accounting Policies (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

2. Receivables (continued)

Interfund Receivables Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Notes and Loans Receivable

Notes and loans (hereafter referred to as “loans”) have been issued to financially assist private developers in various Saint Paul development projects or to provide housing or commercial rehabilitation financing for Saint Paul property owners. All loans are secured by first or second property mortgages, with the exception of the STAR Program loans, which are not always secured.

Loans receivable in governmental funds are reported as an asset in the amount of loan proceeds disbursed less collections on principal. In order to satisfy federal grant reporting requirements, deferred revenue of an equal amount to the asset is also reported on the respective governmental fund balance sheet and revenues are reported when principal payments are received from the loan recipient. An allowance for uncollectible loans, which offsets the total gross loans receivables, is recognized for the amount of loans receivable for which collection is doubtful or questionable.

Deferred revenue is also reduced by the amount of the allowance for uncollectible loans. At the time of the disbursement of the loan, expenditures and loans receivable are debited in the amount of the loan issued, with the loans receivable being offset by a credit to deferred revenue. In the HRA Federal and State Programs Special Revenue Fund, in order to satisfy federal grant reporting requirements, deferred revenue of an equal amount to the asset is also reported in the balance sheet and revenues are reported when principal payments are received from the loan recipient. However, in the case of the loan receivable from Central Towers Limited Partnership in the amount of \$2,100,000, an equal amount of \$2,100,000 is reported as “due to other governmental units” on the balance sheet, since any payments on this loan receivable are owing to the U.S. Department of Housing and Urban Development.

For enterprise funds, loans receivable are reported as an asset in the amount of loan proceeds disbursed less collections on principal. An allowance for uncollectible loans, which offsets the total gross loans receivable, is recognized for the amount of loans receivable for which collection is doubtful or questionable.

The allowance for uncollectible loans is based upon an analysis of credit risk and payment delinquency.

Note III. Summary of Significant Accounting Policies (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

3. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Proprietary fund inventories are generally used for construction, for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

4. Land Held for Resale

Land is acquired by the HRA for subsequent resale for redevelopment purposes and not as an investment program. In order to entice development, the land is often resold at prices substantially lower than the HRA's cost. Land Held for Resale is reported as an asset at the net realizable value in the fund which acquired it. Deferred revenue of an equal amount is also reported on the respective governmental fund balance sheet. In governmental funds, in order to satisfy federal grant reporting requirements, land acquired is reported as an expenditure in the amount of the acquisition cost and as federal revenue for the same amount. When the land is subsequently sold, miscellaneous program income is recognized for the sale amount. Future draw downs from the federal government for reimbursement of expenditures incurred are adjusted by program income available at that date.

5. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt.

6. Capital Assets

Government-Wide Financial Statements

Capital assets are defined by the City as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of at least three years. Donated capital assets are recorded at estimated fair value on the date received. Certain assets for which actual costs are not available have been valued on the basis of a professional valuation that determined their approximate historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Prior to January 1, 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing Statement 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged, but not required until January 1, 2006, when Statement 34 required the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2003, the City has retroactively reported all major infrastructure networks (streets and bridges).

Note III. Summary of Significant Accounting Policies (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

6. Capital Assets (continued)

Government-Wide Financial Statements (continued)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. Net interest of \$632,036 was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statements of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives with the straight line method of depreciation. The range of estimated useful lives and method of depreciation by type of asset is as follows:

<u>Asset</u>	<u>Method</u>	<u>Years</u>
Buildings and Structures	Straight-line	15-75
Public Improvements	Straight-line	15-30
Equipment	Straight-line	3-20
Infrastructure	Straight-line	20-100

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

7. Issuance Costs and Discounts

In governmental funds, debt issuance costs and bond discounts are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized on a straight-line basis over the term of the debt issue.

8. Compensated Absences

The compensated absences liability includes earned but unpaid vacation and compensatory time, vested sick leave, an estimate of current vesting sick leave that will eventually vest, and salary-related payments (fringe benefits) associated with the payment of vacation and sick leave balances.

Employees earn vacation based on years of service and their bargaining unit. Vacation must be used in the year it is earned, except for 15 days, which may be carried over to the following year. Employees are paid 100% of their accumulated vacation pay when they terminate their employment.

Sick leave is earned at the rate of .0576 hours per hour up to a maximum of 15 days per year and may be accumulated indefinitely. Terminated employees receive severance pay based upon unused vested sick leave. Eligibility requirements and maximum allowable amounts vary depending upon an employee's bargaining unit.

Note III. Summary of Significant Accounting Policies (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

8. Compensated Absences (continued)

All vested vacation is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

9. Arbitrage Rebate

Expenditures/expenses for arbitrage rebate are recognized annually in the appropriate funds at the time of the interest payment closest to the date of the bonds. For the fiscal year ended December 31, 2003, the City reported \$280,000 of expenditures relating to arbitrage rebate. These amounts are set aside in the Arbitrage Rebate Agency Fund for subsequent payment to the federal government.

10. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the debt (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The HRA has issued Industrial Development Homeownership Mortgage, and Rental Housing Revenue Bonds to assist developers, businesses and low- to moderate-income homeowners in projects which improve the economic and housing conditions of the City. The bonds are secured by the financed property and are payable solely from the revenues of the individual commercial/industrial or housing projects. The bonds do not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the HRA, nor is the HRA subject to any liability thereon. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Conduit bonds issued subsequent to January 1, 1996 have an outstanding principal balance of \$807 million at December 31, 2003. The aggregate principal amount payable for conduit bonds issued prior to January 1, 1996 could not be determined; however, their original issue amounts totaled \$2.9 billion. There were 185 conduit bonds issued prior to January 1, 1996 and 65 conduit bonds issued subsequent to January 1, 1996.

11. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

Note III. Summary of Significant Accounting Policies (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

12. Equity Classifications

Government-Wide Financial Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including infrastructure, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance amounts are not available for appropriation or are legally restricted by outside parties for a specific purpose. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated.” The balance of unreserved fund balance is labeled “undesignated,” which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

Note IV. Reconciliation of Government-Wide and Fund Financial Statements

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Exhibit 4 is a reconciliation between fund balance – total governmental funds as reported in governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. Details of most of the elements of that reconciliation are as follows:

One element of the reconciliation states that “Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.” These assets, which include land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress are reported in the statement of net assets as shown below.

Historical Cost of Capital Assets	\$ 1,408,220,755
Accumulated Depreciation	<u>(357,800,969)</u>
Net Adjustment to Increase Fund Balance – Total Governmental Funds to Arrive at Net Assets of Governmental Activities	<u><u>\$ 1,050,419,786</u></u>

Note IV. Reconciliation of Government-Wide and Fund Financial Statements (continued)

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS (continued)

Another element of the reconciliation states that “Some receivables that are not currently available are reported as deferred revenue in the fund financial statements, but are recognized as revenue when earned in the government-wide statements.” Below are details of that difference.

Deferred Revenues:

Property Taxes	\$ 4,820,059
Gross Earnings Franchise Fees	7,164,967
General Government Revenues	12,933,498
Public Safety Revenues	1,977,154
Highways and Streets Revenues	21,128,237
Sanitation Revenues	2,317,649
Culture and Recreation Revenues	86,034
Housing and Economic Development Revenues	7,032,591
Other Revenues and Credits	<u>12,651,818</u>
Net Adjustment to Increase Fund Balance – Total Governmental Funds to Arrive at Net Assets of Governmental Activities	<u><u>\$ 70,112,007</u></u>

Another element of the reconciliation states that “Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.” They are, however, reported in the government-wide statements. Long-term liabilities at the end of the year include the following:

Bonds Payable	\$ (326,139,000)
Discount and Premium	(321,689)
Revenue Notes Payable	(64,399,753)
Capital Lease Payable	(20,567,000)
Compensated Absences Payable	(16,142,927)
Claims and Judgments Payable	(18,714,559)
Accrued Interest	(5,125,039)
Deferred Charge – Unamortized Issuance Costs	<u>1,197,428</u>
Net Adjustment to Decrease Fund Balance – Total Governmental Funds to Arrive at Net Assets of Governmental Activities	<u><u>\$ (450,212,539)</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit 6 is a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Net Assets, the cost of those assets is capitalized and depreciated over their estimated useful lives with depreciation expense reported in the Statement of Activities.” The details of this \$46,607,024 difference are as follows:

Capital Outlay is Reported as an Expenditure in the Fund Financial Statements	\$ 82,829,109
Less: Some Items Reported as Capital Outlay, but Not Capitalized	(7,059,110)
Depreciation is Reported in the Government-Wide Statements	<u>(29,162,975)</u>
Net Adjustment to Increase Net Changes in Fund Balances – Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u><u>\$ 46,607,024</u></u>

Note IV. Reconciliation of Government-Wide and Fund Financial Statements (continued)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

Another element of that reconciliation states that “Debt and lease proceeds provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.” Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premium, discount and similar items, when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. The details of this \$22,182,424 difference are as follows:

Debt Issued or Incurred:		
General Obligation Bonds	\$ (25,575,000)	
Refunding Bonds	(6,710,000)	
Notes Issued	(13,750,000)	
Capital Lease	(13,845,000)	
Total Debt Issued		\$ (59,880,000)
Principal Payments:		
General Obligation Bonds	\$ 24,535,000	
Revenue Bonds	10,545,000	
Notes	2,467,576	
Capital Lease	150,000	
Net Principal Payments		37,697,576
Net Adjustment to Decrease Net Changes in Fund Balances –		
Total Governmental Funds to Arrive at Changes in Net Assets of		
Governmental Activities		<u>\$ (22,182,424)</u>

Another element of that reconciliation states that “Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.” The details of this \$608,706 difference are as follows:

Compensated Absences	\$ 557,568
Claims and Judgments	348,448
Accrued Interest on Debt	(251,358)
Amortization of Bond Issuance Costs, Discount and Premium	(45,952)
Net Adjustment to Increase Net Changes in Fund Balances – Total Governmental	
Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 608,706</u>

Note V. Stewardship, Compliance and Accountability

A. BUDGETS AND BUDGETARY ACCOUNTING

Budget Control

Appropriations are controlled administratively at the activity level within multi-year budgeted funds. Governmental funds with annually-adopted budgets are controlled administratively at the activity level within the following major object levels of expenditure: salaries, fringes, debt service, other spending and transfers out. Proprietary funds with annually-adopted budgets are controlled administratively at the fund level within the same major object levels of expenditure as in governmental funds. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level, except for the General Fund, which is at the department/office level.

1. General Budget Procedure – City Funds

The City Council followed these procedures in establishing the 2003 budgets:

- a. On August 13, 2002, the Mayor presented his budget to the City Council for the following calendar year. The budget included proposed expenditures and advances and the means of financing them.
- b. The City Council held a public hearing on December 10, 2002 to obtain taxpayer comments.
- c. The budget was legally adopted through passage of council resolution #02-1161 during the City Council meeting on December 11, 2002.

City budget amendments that authorize an increase in total fund spending require the approval of the City Council. In addition, City Council approval is required for budget amendments transferring appropriations between departments within the General Fund.

2. General Budget Procedure – HRA (Component Unit) Funds

The Housing and Redevelopment Authority (HRA) followed these procedures in establishing the 2003 budgets:

- a. On August 15, 2002, the Executive Director presented her proposed budget to the HRA Board of Commissioners for the fiscal year commencing the following January 1. This budget included proposed expenditures and other uses and the means of financing them.
- b. Upon approval by the HRA Board, the Executive Director submitted the HRA budget to the Mayor of the City of Saint Paul, who submitted this budget to the City Council for consideration, approval and certification.
- c. The budget was approved through passage of council resolution #02-1165.

HRA budget amendments that authorize an increase in total fund spending require the approval of the HRA Board of Commissioners.

3. Annual and Multi-Year Governmental Fund Budgets

Annual governmental fund budgets are reported in the following fund types and are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP):

Note V. Stewardship, Compliance and Accountability (continued)

A. BUDGETS AND BUDGETARY ACCOUNTING (continued)

3. Annual and Multi-Year Governmental Fund Budgets (continued)

General Fund

Special Revenue Funds (except: Community Development Block Grant, State Grant Programs, HRA Federal and State Programs and Section 108 Programs, which have multi-year budgets).

Debt Service Funds

Permanent Funds

In addition, multi-year governmental fund budgets are utilized in the capital projects funds.

The following provides a summary reconciliation of the actual results for annually budgeted special revenue funds and multi-year budgeted special revenue funds.

	Revenues	Expenditures	Net Other Financing Sources (Uses)	Fund Balances 12/31/03
SPECIAL REVENUE FUNDS				
HRA General Fund	\$ 3,476,864	\$ 9,733,062	\$ 4,637,416	\$ 6,569,272
Annually Budgeted Nonmajor Funds	\$ 57,179,455	\$ 52,797,207	\$ (8,145,040)	\$ 42,597,618
Multi-year Budgeted Nonmajor Funds				
Community Development Block Grant	\$ 15,738,523	\$ 14,524,585	\$ (1,213,938)	\$ -
State Grant Programs	1,147,052	1,039,264	8,775	732,330
HRA Federal and State Programs	3,048,685	3,068,067	19,263	11
Section 108 Programs	8,541	1,038,084	7,996,591	6,970,457
	<u>\$ 19,942,801</u>	<u>\$ 19,670,000</u>	<u>\$ 6,810,691</u>	<u>\$ 7,702,798</u>
Total Special Revenue Funds	<u>\$ 80,599,120</u>	<u>\$ 82,200,269</u>	<u>\$ 3,303,067</u>	<u>\$ 56,869,688</u>

4. Appropriation Revisions

Budgeted amounts are as originally adopted or as amended by the City Council. During 2003, increases and decreases to annual expenditures, other financing uses and transfers out appropriations were as follows:

	Original Budgeted Amounts	Net Amendments	Final Budgeted Amounts
General Fund	\$ 178,011,140	\$ 6,364,940	\$ 184,376,080
Special Revenue Funds	74,688,341	14,541,086	89,229,427
Debt Service Funds	59,989,565	10,018,700	70,008,265
Permanent Funds	6,400	-	6,400

Note V. Stewardship, Compliance and Accountability (continued)

A. BUDGETS AND BUDGETARY ACCOUNTING (continued)

5. Appropriation Year-End Balances

Unexpended appropriation balances lapse at the end of the fiscal year in the annual governmental fund budgets. However, upon City Council approval, the appropriations for the subsequent year are increased in the amount necessary to satisfy the outstanding encumbrances at the end of the fiscal year.

Unexpended appropriation balances do not lapse at the end of the fiscal year in the multi-year governmental fund budgets.

B. FEDERAL AUDIT REQUIREMENTS

The U.S. Office of Management and Budget (OMB) issued Circular A-133, which establishes uniform audit requirements for non-Federal entities that administer Federal awards and implements the Single Audit Act Amendments of 1996, which were signed into law July 5, 1996 (Public Law 104-156)

The purposes of the Single Audit Act Amendments of 1996 are to:

1. promote sound financial management, including effective internal controls, with respect to Federal awards;
2. promote the efficient and effective use of audit resources;
3. reduce burdens on state and local governments, Indian tribes and nonprofit organizations;
4. ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to Chapter 75 of Title 31, United States Code (the "Single Audit Act").

For 2003, the City of Saint Paul's audit was performed in accordance with Circular A-133. The auditor's report on consideration of the City's internal control over financial reporting and tests of the City's compliance with certain provisions of laws, regulations, contracts and grants will be issued at a later date.

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit fund or net assets balances at year end.

The following funds had deficit unreserved fund balances or net assets at December 31, 2003:

	Unreserved Fund Balance/ Net Assets	Total Fund Equity
Special Revenue Fund:		
Finance Special Projects	\$ (113,756)	\$ 429,339
Parking Meter Collections	(12,695)	-
Municipal Athletic Programming	(59,197)	(59,197)
Capital Projects Fund:		
Capital Improvement Projects	(12,709,832)	3,418,976
Enterprise Funds:		
Special Services	(3,657,235)	1,097,880
Rice and Arlington Sports Dome	(123,749)	(869,781)
Watergate Marina	(335,031)	(266,543)
Internal Service Funds:		
Information Systems	(590,394)	(590,394)
Planning and Economic Development Administration	(65,160)	(20,558)

Note V. Stewardship, Compliance and Accountability (continued)

C. DEFICIT BALANCES (continued)

The Municipal Athletic Programming Fund has not been generating enough user fees to cover all the operating expenses over the last few years. These losses were caused by the continuing decline of participants in the adult sports programs. New efforts taken during 2003 to find new sources of revenues have lowered the deficit. However, the costs that were necessary to generate the additional revenues have caused an excess of expenditures over appropriations.

The Rice and Arlington Sports Dome management was taken over by the Parks Division in June 1998. Even though steps were taken to manage costs and increase the revenue, the Dome continued to report an operating deficit. The Dome was closed in June 2002. Future costs in this fund will only include the payments to pay off the debt owed.

The City contracted with an outside business manager to manage and operate the Watergate Marina. This was done in part to ensure that the Marina operated at no net cost or financial risk to the City. The proceeds from this agreement are being used to improve the fund equity position.

The 1997 expenses relating to the Human Resource Management System Project were recorded in the Information Systems Internal Service Fund. These development costs are being reimbursed from all City departments over a ten-year period, which will eliminate the deficit in the Information Systems Fund. This financing plan was adopted by City Council Resolution 97-895. This resolution also authorized the General Fund to provide a working capital advance to the Information Systems Fund to cover the 1997 development costs.

The Planning and Economic Development Administration Fund was reclassified from a special revenue fund to an internal service fund as of January 1, 2002. As a proprietary fund, additional accrued expenses have been recognized that would not have been reported as a governmental fund. The billing rates for services rendered did not adequately cover these additional expenses and have been adjusted. The deficit equity has improved by \$71,724 from 2002.

D. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

Total expenditures exceeded total appropriations in the following funds:

	Final Budgeted Amounts	Actual	Variance with Final Budgets
Special Revenue Funds			
Public Health	\$ 1,571,547	\$ 1,611,193	\$ (39,646)
Municipal Athletic Programming	393,956	435,431	(41,475)
Recreation Centers Special Accounts	30,000	115,254	(85,254)

The fund managers have been directed that in the future, funds must have an appropriation budget to cover all obligations incurred.

Note VI. Detailed Notes on All Funds

A. CASH, INVESTMENTS AND SECURITIES LENDING

Deposits

In accordance with Minnesota Statutes Chapter 118A, the City maintains deposits at financial institutions authorized by the City Council.

This Statute further requires that all City deposits be protected by insurance, surety bond, collateral or an irrevocable letter of credit issued by Federal Home Loan Banks. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes issues of the U.S. Treasury, obligations issued by an agency established by the U.S. Government as long as it is quoted by a recognized quotation service available to the City, general obligation bonds of Minnesota State and local governments and general obligation bonds of other states rated "A" or better by Moody's Investor Services or Standard and Poor's Corporation (Minnesota Statutes Chapter 118A). All pledged collateral is held in the City's name at third party institutions.

<u>Balance of City Deposits at December 31, 2003</u>		<u>Bank Balances</u>	<u>Carrying Amount</u>
(1)	Insured or collateralized by securities held by the City or its agent in the City's name		
	a) Demand Deposits (including interest bearing)	\$ 36,567,984	\$ 34,841,562
	b) Certificates of Deposit	12,919,029	12,919,029
(2)	Collateralized with securities held by the pledging institution's trust department in the City's name	None	None
(3)	Uncollateralized	None	None
	Totals	<u>\$ 49,487,013</u>	<u>\$ 47,760,591</u>

Imprest Funds on Hand

At December 31, 2003, the total imprest funds were \$97,890. Of this amount, the City had \$72,250 on hand. The remaining \$25,640 were in various bank accounts and are included with the collateralized deposits.

Investments

In addition to interest bearing deposits, Minnesota Statutes authorize the following types of investments for local governments:

- governmental bonds, notes, bills, mortgages and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes Section 118A.04, Subd. 6.
- in shares of an investment company registered under the Federal Investment Company Act of 1940, provided the mutual fund receives certain ratings depending on its investments.
- general obligations of the State of Minnesota and its municipalities and in any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service.

Note VI. Detailed Notes on All Funds (continued)

A. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

Investments (continued)

- (d) in bankers acceptances of United States Banks, or
- (e) in commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less.
- (f) Repurchase agreements may be entered into with:
 - 1) a bank qualified as a depository;
 - 2) any national or state bank in the United States which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000;
 - 3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
 - 4) a securities broker-dealer, licensed pursuant to Chapter 80A, or an affiliate of it, regulated by the Securities and Exchange Commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt.
- (g) Securities lending agreements.
- (h) Guaranteed investment contracts.

The balances at December 31, 2003 follow. The reported amount is a mixture of cost and fair value-based measures, because certain investments meet Statement 31 criteria for reporting at amortized cost.

Securities Type	Custodial Credit Risk Category			Reported Amount	Fair Value
	1	2	3		
U.S. Government and Agency Securities Not on Securities Loan	\$ 14,104,216	\$ -	\$ -	\$ 14,104,216	\$ 14,104,216
Commercial Paper	38,878,251	-	-	38,878,251	38,890,098
Taxable Municipal Bonds	10,432,512	-	-	10,432,512	10,432,512
	<u>\$ 63,414,979</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 63,414,979	\$ 63,426,826
Government Securities Mutual Funds				22,129,575	22,129,575
Guaranteed Investment Contract				21,743,778	21,743,778
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral				126,044,340	126,044,340
Securities Lending Short-Term Collateral Investments Pool				<u>131,788,939</u>	<u>131,788,939</u>
Total Investments				<u>\$ 365,121,611</u>	<u>\$ 365,133,458</u>

The City's investments are categorized above in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section I50 to give an indication of the level of custodial credit risk assumed at year end.

Note VI. Detailed Notes on All Funds (continued)

A. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

Investments (continued)

Category 1 includes investments that are insured or registered or for which the securities are held by the City or by its agent in the City's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, in safekeeping for the City, but not in the City's name.

Securities Lending Transactions

Beginning in 1996, the City has participated in a securities lending program. The City has reported its securities lending transactions in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 28 *Accounting and Financial Reporting for Securities Lending Transactions*. The City Council approved by resolution a "Policy Statement," which provides that the General Fund will record the revenue and expenditures relating to securities lending transactions and the "securities lending collateral" asset and "obligations under securities lending" liability. In addition, if monthly net losses should occur during the year from the investment of cash collateral, either principal losses or losses resulting from negative "spreads" between the yield on the investments of cash collateral and the rebate rates paid to borrowers, the losses will be charged to the General Fund.

In accordance with State Statutes and pursuant to the securities lending agreement with the City, US Bank has established a securities lending program that allows the City to enter into securities lending transactions – loans of government and agency securities to broker dealers for collateral with a simultaneous agreement to return the collateral for the same securities in the future. US Bank, the custodian and agent in lending the City's securities, manages a securities lending and collateral investments pool. There were no significant violations either of State Statutes or contractual provisions with US Bank in 2003.

US Bank receives collateral from borrowers to secure loans on behalf of the program participants in cash and securities of 102 percent of the market value of the lent securities which meet the qualifications established in Minnesota Statutes 118A.05 Subd. 3, including any amendments to the sections adopted after the date of the borrower's default. The cash and security collateral are adjusted daily to maintain at least 100 percent of the market value of the loaned securities plus accrued interest. No loss indemnification is provided by US Bank's securities lending program.

All securities loans may be terminated on demand by either the pool participants or the borrower. There are no restrictions as to the total amount of securities that may be loaned at one time. All term loans are matched in maturity to term investments. Cash collateral received for open loans is invested as of year end as follows: 71% of total collateral investments is invested on an overnight/open basis and 29% is invested with maturities greater than overnight.

The weighted average maturity for all investments in the pool in which the City of Saint Paul participates as of year end is 24.13 days. The relationship between the maturities of the investment pool and the City of Saint Paul's loans will be affected by the maturities of the securities loans made by other participants in the pool.

As of December 31, 2003, the securities on loan, the related cash collateral and the pooled investment from such collateral are presented as unclassified in the schedule of investments by custodial credit risk category. The securities on loan at December 31, 2003 had a carrying amount of \$131,788,939, which was also its fair value.

Note VI. Detailed Notes on All Funds (continued)

A. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

Securities Lending Transactions (continued)

There were no borrower or lending agent default losses and no recoveries of prior-period losses during the year. At December 31, 2003, the securities lending pool participants had no credit risk exposure because all collateral was equal to at least 100% of the market value of the loaned securities plus any accrued interest.

Recap

Deposits and investments as described above appear in the City's financial statements consistent with the following analysis:

Deposits	\$ 47,760,591	Cash and Investments with Treasurer	\$ 220,816,023
Imprest Funds on Hand	72,250	Cash and Investments with Trustees	41,045,282
Investments	365,121,611	Imprest Funds	97,890
		Securities Lending Collateral	131,788,939
		Restricted Cash	19,206,318
Total	<u>\$ 412,954,452</u>		<u>\$ 412,954,452</u>

B. RECEIVABLES

Summary of Receivables

Receivables as of year end for the City's individual major governmental and enterprise funds, nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities	General	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Nonmajor and Other Funds	Total
Receivables:							
Taxes	\$ 2,261,314	\$ 53,621	\$ 843,819	\$ 2,015,469	\$ -	\$ 545,176	\$ 5,719,399
Accounts	9,995,414	134,721	96,116	9,608	665,845	1,664,106	12,565,810
Special Assessments	-	-	-	-	13,335,718	27,741,239	41,076,957
Interest	658,801	71,880	159,250	278,107	-	860,254	2,028,292
Xcel Energy	1,070,973	-	-	-	-	-	1,070,973
Intergovernmental	1,398,376	50,312	-	-	21,866,508	5,292,711	28,607,907
Gross Receivables	\$ 15,384,878	\$ 310,534	\$ 1,099,185	\$ 2,303,184	\$ 35,868,071	\$ 36,103,486	\$ 91,069,338
Less: Allowance for Uncollectibles	(149,984)	(23,724)	-	-	(17,736)	(334,439)	(525,883)
Net Total Receivables	<u>\$ 15,234,894</u>	<u>\$ 286,810</u>	<u>\$ 1,099,185</u>	<u>\$ 2,303,184</u>	<u>\$ 35,850,335</u>	<u>\$ 35,769,047</u>	<u>\$ 90,543,455</u>
Amounts not expected to be collected within one year	<u>\$ 7,164,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,966,817</u>	<u>\$ 11,712,212</u>	<u>\$ 27,843,996</u>

Note VI. Detailed Notes on All Funds (continued)

B. RECEIVABLES (continued)

Summary of Receivables (continued)

Business-Type Activities	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Total
Receivables:						
Taxes	\$ -	\$ -	\$ -	\$ 8,684	\$ -	\$ 8,684
Accounts	72,978	811,824	9,703	899,580	678,514	2,472,599
Special Assessments	-	8,395,974	1,014	-	-	8,396,988
Interest	11,429	49,897	103,597	48,281	19,860	233,064
Intergovernmental	-	331,542	509	-	177,321	509,372
Gross Receivables:	\$ 84,407	\$ 9,589,237	\$ 114,823	\$ 956,545	\$ 875,695	\$ 11,620,707
Less: Allowance for Uncollectibles	(72,978)	(661,921)	-	-	(432,829)	(1,167,728)
Net Total Receivables	<u>\$ 11,429</u>	<u>\$ 8,927,316</u>	<u>\$ 114,823</u>	<u>\$ 956,545</u>	<u>\$ 442,866</u>	<u>\$ 10,452,979</u>
Amounts not expected to be collected within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Property Taxes

For property tax collectible in 2003, Saint Paul's taxable net tax capacity (including Tax Increment Districts) was \$167,879,665; the estimated market value was \$15,532,144,700; the net tax capacity was 1.08% of the estimated market value. Estimated market values are converted to tax capacities based on a statutory rate for each class of property.

Current property tax collections for the year ended December 31, 2003 were as follows:

	City	HRA
Dollar Amount	\$61,341,933	\$801,080
Percent of Levy Spread	98.32%	95.35%

Notes and Loans Receivable

Notes and Loans Receivable are reported as assets in the following funds at December 31, 2003:

Special Revenue Funds:	
Solid Waste and Recycling	\$ 900,000
Community Development Block Grant	10,525,446
State Grant Programs	364,839
HRA Federal and State Programs	<u>3,769,381</u>
Total Special Revenue Funds	\$ 15,559,666
Capital Projects Fund:	
City Sales Tax	<u>\$ 7,288,944</u>
Total	<u>\$ 22,848,610</u>

Note VI. Detailed Notes on All Funds (continued)

B. RECEIVABLES (continued)

In addition to the above amounts reported as “Notes and Loans Receivable” on the Statement of Net Assets, other long-term loans receivable are included in “Other Long-Term Receivables” in the following funds:

Enterprise Fund:	
HRA Loan Enterprise	<u>\$ 26,881,004</u>
Internal Service Fund:	
Internal Borrowing	<u>\$ 11,054,784</u>
Total	<u><u>\$ 37,935,788</u></u>

The amount reported for loans receivable is net of allowances for uncollectible loans. Allowances for uncollectible loans have been established for loans for which collection is doubtful or questionable. At December 31, 2003, the allowance for uncollectible loans recorded was \$44,214,495.

Contract Receivable – Metropolitan Council Environmental Services

The Metropolitan Council Environmental Services (MCES), formerly known as the Metropolitan Waste Control Commission (MWCC) was established as an agency of the Metropolitan Council pursuant to Minnesota Statutes Section 473.503. MCES was created for the purpose of providing the efficient and economic collection, treatment and disposal for sewage. MCES bills actual quarterly sewer treatment charges at a two quarter lag, with first quarter charges billed in the third quarter and all other quarterly charges billed in a similar manner.

In 1971, the Metropolitan Council Environmental Services assumed ownership of all the City’s interceptors and treatment works. The takeover by the MCES provided that the City would receive payment for the facilities based on the value of the facilities in 1971. This long-term contract receivable from the MCES at December 31, 2003, as reported in the Sewer Utility Enterprise Fund, was \$319,317.

C. LAND HELD FOR RESALE

At December 31, 2003, Land Held for Resale was reported as an asset in the following funds:

Special Revenue Funds:	
Community Development Block Grant	\$ 849,137
HRA General Fund	<u>9,521,989</u>
Total Special Revenue Funds	\$ 10,371,126
Capital Projects Fund:	
HRA Tax Increment	\$ 1,465,447
Enterprise Fund:	
HRA Loan Enterprise	<u>\$ 3,637,799</u>
Total	<u><u>\$ 15,474,372</u></u>

Note VI. Detailed Notes on All Funds (continued)

D. RESTRICTED ASSETS

As of December 31, 2003, the following restricted assets were reported in the following enterprise funds:

	RiverCentre Operating	Sewer Utility	HRA Parking
Cash for General Obligation Bond Current Debt Service	\$ -	\$ 31,304	\$ 3,716,136
Cash for Revenue Bond Current Debt Service	-	533,792	1,914,115
Cash for Revenue Bond Operations and Maintenance	-	3,118,946	494,251
Cash for Revenue Bond Construction	-	-	4,579,637
Cash for Water Pollution Abatement Current Debt Service	-	570,660	-
Cash for Budget and Rate Stabilization	-	3,781,695	-
Cash for Ramp Capital Projects	112,815	-	-
Cash for Rental Subsidies/Promotion Reserve	352,967	-	-
Total	<u>\$ 465,782</u>	<u>\$ 8,036,397</u>	<u>\$ 10,704,139</u>

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

Governmental Activities

	Balance 01/01/03	Additions	Deductions	Balance 12/31/03
Capital Assets Not Being Depreciated:				
Land	\$ 132,760,157	\$ 5,248,484	\$ (235,838)	\$ 137,772,803
Construction in Progress	20,396,714	44,317,906	(6,970,049)	57,744,571
Total Capital Assets Not Being Depreciated	<u>\$ 153,156,871</u>	<u>\$ 49,566,390</u>	<u>\$ (7,205,887)</u>	<u>\$ 195,517,374</u>
Capital Assets Being Depreciated:				
Buildings	\$ 472,742,136	\$ 21,020,281	\$ (726,214)	\$ 493,036,203
Improvements Other than Buildings	65,723,899	4,905,170	-	70,629,069
Equipment	72,088,918	3,992,079	(2,322,134)	73,758,863
Infrastructure	602,633,440	5,204,240	(1,283,561)	606,554,119
Total Capital Assets Being Depreciated	<u>\$1,213,188,393</u>	<u>\$ 35,121,770</u>	<u>\$ (4,331,909)</u>	<u>\$1,243,978,254</u>
Less: Accumulated Depreciation for:				
Buildings	\$ (119,203,019)	\$ (12,280,694)	\$ 118,977	\$ (131,364,736)
Improvements Other than Buildings	(13,479,285)	(2,499,882)	-	(15,979,167)
Equipment	(44,063,700)	(5,415,631)	2,151,942	(47,327,389)
Infrastructure	(172,437,921)	(10,990,766)	529,352	(182,899,335)
Total Accumulated Depreciation	<u>\$ (349,183,925)</u>	<u>\$ (31,186,973)</u>	<u>\$ 2,800,271</u>	<u>\$ (377,570,627)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 864,004,468</u>	<u>\$ 3,934,797</u>	<u>\$ (1,531,638)</u>	<u>\$ 866,407,627</u>
Governmental Activities Capital Assets, Net	<u>\$1,017,161,339</u>	<u>\$ 53,501,187</u>	<u>\$ (8,737,525)</u>	<u>\$1,061,925,001</u>

Note VI. Detailed Notes on All Funds (continued)

E. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental Activities

General Government	\$	1,204,054
Public Safety		2,299,070
Highways and Streets		12,974,706
Culture and Recreation		14,047,896
Housing and Economic Development		<u>661,247</u>
Total Governmental Activities Depreciation Expense	\$	<u><u>31,186,973</u></u>

Business-Type Activities

	Balance 01/01/03	Additions	Deductions	Balance 12/31/03
Capital Assets Not Being Depreciated:				
Land	\$ 18,145,916	\$ 235,838	\$ -	\$ 18,381,754
Construction in Progress	<u>6,707,544</u>	<u>19,339,260</u>	<u>-</u>	<u>26,046,804</u>
Total Capital Assets Not Being Depreciated	<u>\$ 24,853,460</u>	<u>\$ 19,575,098</u>	<u>\$ -</u>	<u>\$ 44,428,558</u>
Capital Assets Being Depreciated:				
Buildings and Structures	\$ 78,516,996	\$ 574,548	\$ (650,001)	\$ 78,441,543
Public Improvements	<u>345,340,891</u>	<u>60,589</u>	<u>-</u>	<u>345,401,480</u>
Equipment	<u>7,645,405</u>	<u>106,096</u>	<u>(43,556)</u>	<u>7,707,945</u>
Total Capital Assets Being Depreciated	<u>\$ 431,503,292</u>	<u>\$ 741,233</u>	<u>\$ (693,557)</u>	<u>\$ 431,550,968</u>
Less: Accumulated Depreciation for:				
Buildings and Structures	\$ (21,555,432)	\$ (2,055,579)	\$ 135,419	\$ (23,475,592)
Public Improvements	<u>(82,128,329)</u>	<u>(4,191,225)</u>	<u>-</u>	<u>(86,319,554)</u>
Equipment	<u>(4,713,511)</u>	<u>(652,780)</u>	<u>43,557</u>	<u>(5,322,734)</u>
Total Accumulated Depreciation	<u>\$ (108,397,272)</u>	<u>\$ (6,899,584)</u>	<u>\$ 178,976</u>	<u>\$ (115,117,880)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 323,106,020</u>	<u>\$ (6,158,351)</u>	<u>\$ (514,581)</u>	<u>\$ 316,433,088</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 347,959,480</u></u>	<u><u>\$ 13,416,747</u></u>	<u><u>\$ (514,581)</u></u>	<u><u>\$ 360,861,646</u></u>

Depreciation expense was charged to functions of the business-type activities as follows:

Business-Type Activities

Convention Facility	\$	377,568
Sewer		4,193,543
Parking		1,920,756
Parks, Recreation and Athletics		291,111
Impound Lot		7,410
Printing		<u>109,196</u>
Total Business-Type Activities Depreciation Expense	\$	<u><u>6,899,584</u></u>

Note VI. Detailed Notes on All Funds (continued)

F. INTERFUND RECEIVABLES/PAYABLES/ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts as of December 31, 2003:

Pooled Cash and Investment Overdrafts

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Projects	\$ 2,376,276
	Nonmajor Governmental Funds	1,215,717
	Nonmajor Enterprise Funds	354,510
	Internal Service Funds	<u>224,103</u>
	Total	<u>\$ 4,170,606</u>

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	HRA General Fund	\$ 18,486
	General Debt Service	1,715
	Capital Improvement Projects	1,164
	Sewer Utility	29,756
	Nonmajor Governmental Funds	1,530,420
	Nonmajor Enterprise Funds	43,474
	Internal Service Funds	16,671,321
HRA General Fund	Capital Improvement Projects	10,000
General Debt Service	Sewer Utility	1,957,078
	HRA Loan Enterprise	300,000
	Nonmajor Governmental Funds	4,141,948
HRA General Debt Service	Capital Improvement Projects	47,035
Capital Improvement Projects	General Fund	190,151
	Nonmajor Government Funds	6,127,174
	Internal Service Funds	28,523
Sewer Utility	General Fund	218,691
Nonmajor Governmental Funds	General Fund	1,043,814
	HRA General Debt Service	34,594
	Capital Improvement Projects	109,281
	Sewer Utility	49,103
	HRA Parking	12,581
	Nonmajor Governmental Funds	467,027
	Nonmajor Enterprise Funds	3,261
	Internal Service Funds	33,975

Note VI. Detailed Notes on All Funds (continued)

F. INTERFUND RECEIVABLES/PAYABLES/ADVANCES AND TRANSFERS (continued)

Interfund Receivables/Payables (continued)

Due to/from Other Funds (continued)

Receivable Fund	Payable Fund	Amount
Nonmajor Enterprise Funds	General Fund	\$ 36,323
	Capital Improvement Projects	4,271
	Sewer Utility	130
	Nonmajor Governmental Funds	12,948
	Nonmajor Enterprise Funds	6,147
	Internal Service Funds	8,242
Internal Service Funds	General Fund	667,259
	HRA General Fund	38,568
	Capital Improvement Projects	367,676
	Sewer Utility	12,338
	HRA Loan Enterprise	27,991
	HRA Parking	11,545
	Nonmajor Governmental Funds	1,389,521
	Nonmajor Enterprise Funds	23,699
Fiduciary-Agency Funds	Internal Service Funds	258,383
	General Fund	2,534
	Nonmajor Governmental Funds	75
	Nonmajor Enterprise Funds	11
Internal Service Funds		<u>6,907</u>
Total		<u><u>\$ 35,945,140</u></u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note VI. Detailed Notes on All Funds (continued)

F. INTERFUND RECEIVABLES/PAYABLES/ADVANCES AND TRANSFERS (continued)

Advances to/from Other Funds

The following is a schedule of interfund advances as of December 31, 2003:

Receivable Fund	Payable Fund	Amount
General Fund	RiverCentre Operating	\$ 1,525,000
	Rice and Arlington Sports Dome	250,000
	Real Estate Management	106,200
	Information Systems	510,000
Sewer Utility	Capital Improvement Projects	1,613,735
	Solid Waste and Recycling	750,000
HRA Loan Enterprise	HRA Tax Increment	3,946,836
Street Repair and Cleaning	Capital Improvement Projects	425,000
	Parking Meter Collections	12,695
	Public Works Traffic, Signal and Lighting Maintenance	381,305
City Sales Tax	RiverCentre Operating	231,126
Internal Borrowing	HRA Tax Increment	2,147,343
	Special Services	<u>3,800,000</u>
	Total	<u>\$ 15,699,240</u>

The advances shown above are long-term amounts not due within one year. Short-term advances that are due within one year are reported as a due to/from other fund.

Note VI. Detailed Notes on All Funds (continued)

F. INTERFUND RECEIVABLES/PAYABLES/ADVANCES AND TRANSFERS (continued)

Transfers

The following is a schedule of interfund transfers as of December 31, 2003:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General Fund	HRA General Fund	\$ 68,486
	General Debt Service	12,358
	Capital Improvement Projects	503,312
	Sewer Utility	129,168
	Nonmajor Governmental Funds	9,029,401
	Nonmajor Enterprise Funds	123,751
	Internal Service Funds	58,497
General Debt Service	Sewer Utility	3,567,350
	HRA Loan Enterprise	300,000
	Nonmajor Governmental Funds	5,155,987
HRA General Debt Service	HRA General Fund	1,044,098
	Capital Improvement Projects	3,294,495
	RiverCentre Operating	100,000
	HRA Loan Enterprise	419,083
	Nonmajor Governmental Funds	15,907,889
Capital Improvement Projects	General Fund	700,000
	Sewer Utility	7,471,013
	Nonmajor Governmental Funds	21,613,594
HRA Loan Enterprise	General Debt Service	1,114,198
	Nonmajor Governmental Funds	3,050,000
HRA Parking	Nonmajor Governmental Funds	5,616
Nonmajor Governmental Funds	General Fund	1,792,617
	HRA General Debt Service	17,689,940
	Capital Improvement Projects	142,268
	Sewer Utility	79,930
	HRA Loan Enterprise	830,413
	Nonmajor Governmental Funds	5,371,669
	Nonmajor Enterprise Funds	59,517
Nonmajor Enterprise Funds	General Fund	362,085
	Nonmajor Governmental Funds	80,000
Internal Service Funds	Sewer Utility	445,500
	Nonmajor Governmental Funds	752,904
	Internal Service Funds	<u>189,000</u>
	Total	<u><u>\$ 101,464,139</u></u>

Note VI. Detailed Notes on All Funds (continued)

F. INTERFUND RECEIVABLES/PAYABLES/ADVANCES AND TRANSFERS (continued)

Transfers (continued)

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to a debt service fund, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

G. LONG-TERM OBLIGATIONS

1. Changes in Long-Term Obligations

Long-term obligations activity in the year ended December 31, 2003 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds					
Property Tax Supported	\$104,885,000	\$ 22,235,000	\$21,750,000	\$105,370,000	\$ 18,150,000
Special Assessment Debt with					
Governmental Commitment	21,370,000	3,340,000	1,795,000	22,915,000	2,240,000
HRA Tax Increment	15,845,000	-	990,000	14,855,000	1,065,000
Total General Obligation Bonds	\$142,100,000	\$ 25,575,000	\$24,535,000	\$143,140,000	\$ 21,455,000
Sales Tax Revenue Bonds	\$ 70,585,000	\$ -	\$ 745,000	\$ 69,840,000	\$ 940,000
HRA Tax Increment Revenue Bonds	55,734,000	6,710,000	5,555,000	56,889,000	2,863,058
HRA Sales Tax Revenue Bonds	48,320,000	-	1,065,000	47,255,000	1,140,000
HRA Lease Revenue Bonds	12,195,000	-	3,180,000	9,015,000	2,095,000
Revenue Notes Payable	50,065,775	-	1,769,256	48,296,519	1,744,340
HRA Revenue Notes Payable	3,051,554	13,750,000	698,320	16,103,234	1,233,234
Add/(Subtract) Deferred Amounts for:					
(Discouts)/Premiums Refundings					
– Gains/(Losses)	39,462	301,442	19,215	321,689	34,226
Total Bonds and Notes	<u>\$382,090,791</u>	<u>\$ 46,336,442</u>	<u>\$37,566,791</u>	<u>\$390,860,442</u>	<u>\$ 31,504,858</u>
Other Liabilities:					
Compensated Absences	\$ 18,395,164	\$ 862,692	\$ 1,354,076	\$ 17,903,780	\$ 965,006
Claims and Judgments Payable	19,063,007	5,310,489	5,658,937	18,714,559	6,089,343
Capital Leases	9,503,004	13,845,000	254,254	23,093,750	735,292
Total Other Liabilities	<u>\$ 46,961,175</u>	<u>\$ 20,018,181</u>	<u>\$ 7,267,267</u>	<u>\$ 59,712,089</u>	<u>\$ 7,789,641</u>
Total Governmental Activities Long-Term Liabilities	<u>\$429,051,966</u>	<u>\$ 66,354,623</u>	<u>\$44,834,058</u>	<u>\$450,572,531</u>	<u>\$ 39,294,499</u>

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

1. Changes in Long-Term Obligations (continued)

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 43,190,000	\$ -	\$ 1,130,000	\$ 42,060,000	\$ 1,245,000
Revenue Bonds	37,285,000	26,280,000	33,895,000	29,670,000	5,900,000
HRA Parking Facilities					
Revenue Bonds	43,415,000	-	1,315,000	42,100,000	1,385,000
Revenue Notes Payable	24,611,222	-	3,837,504	20,773,718	915,103
Add/(Subtract) Deferred Amounts for: (Discounts)/Premiums Refundings – Gains/(Losses)	<u>(196,772)</u>	<u>756,987</u>	<u>(25,715)</u>	<u>585,930</u>	<u>-</u>
Total Bonds and Notes	\$148,304,450	\$ 27,036,987	\$40,151,789	\$135,189,648	\$ 9,445,103
Other Liabilities:					
Compensated Absences	\$ 801,627	\$ 19,145	\$ 53,230	\$ 767,542	\$ 42,162
Capital Leases	<u>1,889,495</u>	<u>-</u>	<u>128,913</u>	<u>1,760,582</u>	<u>136,126</u>
Total Other Liabilities	<u>\$ 2,691,122</u>	<u>\$ 19,145</u>	<u>\$ 182,143</u>	<u>\$ 2,528,125</u>	<u>\$ 178,288</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$150,995,572</u>	<u>\$ 27,056,132</u>	<u>\$40,333,932</u>	<u>\$137,717,772</u>	<u>\$ 9,623,391</u>
TOTAL LONG-TERM OBLIGATIONS	<u>\$580,047,538</u>	<u>\$ 88,100,266</u>	<u>\$79,857,501</u>	<u>\$588,290,303</u>	<u>\$ 49,058,468</u>

Internal Service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities are included as part of the totals reported for governmental funds. At year end, \$1,760,853 for compensated absences and \$2,526,750 of capital leases were included in the amounts reported for the governmental funds.

The government-wide statement of net assets includes \$2,541,962 of the long-term liabilities due within one year for business-type activities in “liabilities payable from restricted assets.” The remaining amount of \$7,081,429 was displayed as “noncurrent liabilities due within one year” on the same statement.

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

2. Annual Requirements – Principal and Interest on Long-Term Obligations

Annual debt service requirements to maturity for general obligation bonds were as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 21,455,000	\$ 5,859,073	\$ 1,245,000	\$ 2,209,553	\$ 22,700,000	\$ 8,068,626
2005	19,200,000	5,045,705	1,330,000	2,137,021	20,530,000	7,182,726
2006	17,670,000	4,285,455	1,505,000	2,055,675	19,175,000	6,341,130
2007	17,050,000	3,530,208	1,660,000	1,963,841	18,710,000	5,494,049
2008	15,110,000	2,820,467	1,790,000	1,862,570	16,900,000	4,683,037
2009-2013	48,555,000	5,808,147	11,525,000	7,424,406	60,080,000	13,232,553
2014-2018	4,100,000	485,790	12,365,000	3,860,956	16,465,000	4,346,746
2019-2023	-	-	7,240,000	1,699,312	7,240,000	1,699,312
2024-2028	-	-	3,400,000	163,400	3,400,000	163,400
2029-2031	-	-	-	-	-	-
TOTAL	\$ 143,140,000	\$ 27,834,845	\$ 42,060,000	\$ 23,376,734	\$ 185,200,000	\$ 51,211,579

Revenue bond debt service requirements to maturity were as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 7,038,058	\$ 12,011,797	\$ 7,285,000	\$ 3,220,548	\$ 14,323,058	\$ 15,232,345
2005	5,467,162	11,651,042	7,515,000	3,023,372	12,982,162	14,674,414
2006	5,874,135	11,907,898	7,700,000	2,818,159	13,574,135	14,726,057
2007	6,814,266	11,139,380	7,045,000	2,581,309	13,859,266	13,720,689
2008	7,063,939	10,690,750	5,775,000	2,337,211	12,838,939	13,027,961
2009-2013	31,191,896	47,252,981	13,490,000	8,862,142	44,681,896	56,115,123
2014-2018	34,687,497	36,481,988	10,780,000	4,954,682	45,467,497	41,436,670
2019-2023	47,265,983	22,981,734	4,695,000	2,767,163	51,960,983	25,748,897
2024-2028	33,308,755	6,128,326	6,070,000	1,386,720	39,378,755	7,515,046
2029-2031	4,287,309	200,979	1,415,000	75,702	5,702,309	276,681
TOTAL	\$ 182,999,000	\$ 170,446,875	\$ 71,770,000	\$ 32,027,008	\$ 254,769,000	\$ 202,473,883

Revenue notes debt service requirements to maturity were as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 2,977,574	\$ 742,647	\$ 915,103	\$ 704,343	\$ 3,892,677	\$ 1,446,990
2005	2,233,395	679,667	944,025	671,448	3,177,420	1,351,115
2006	8,221,589	583,216	973,280	637,540	9,194,869	1,220,756
2007	1,975,797	253,406	1,013,879	602,306	2,989,676	855,712
2008	1,835,221	245,470	1,055,834	565,696	2,891,055	811,166
2009-2013	11,256,177	1,121,500	5,853,827	2,229,165	17,110,004	3,350,665
2014-2018	24,100,000	732,080	6,698,157	1,228,888	30,798,157	1,960,968
2019-2023	11,800,000	222,750	2,801,958	365,501	14,601,958	588,251
2024-2028	-	-	517,655	36,525	517,655	36,525
2029-2031	-	-	-	-	-	-
TOTAL	\$ 64,399,753	\$ 4,580,736	\$ 20,773,718	\$ 7,041,412	\$ 85,173,471	\$ 11,622,148

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment

Governmental Activity Long-Term Obligations

General Obligation Bonds

In 2003, the City issued the General Obligation Capital Improvement Bonds, Series 2003A in the amount of \$22,235,000. Of this issue, \$3,235,000 was used to current refund the City's General Obligation Capital Improvement Bonds, Series 1995B in the amount of \$3,150,000. This current refunding was done to take advantage of lower interest rates which resulted in a net present value benefit of \$106,609.

\$143,140,000 of General Obligation Bonds is payable from the Debt Service Funds. The related interest requirement on this debt was \$27,834,845. These bonds are backed by the full faith and credit of the City.

General Obligation Bonds – Property Tax Supported

Of the \$143,140,000 of General Obligation Bonds, \$105,370,000 is property tax supported debt to be paid primarily from property taxes levied and collected. The related interest requirement on this debt was \$16,064,701.

General Obligation Special Assessment Debt with Governmental Commitment

Of the \$143,000 of General Obligation Bonds, \$22,915,000 are payable from special assessments to be levied and collected for local improvements and are backed by the full faith and credit of the City. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in special assessments districts are insufficient to retire outstanding bonds. These bonds (and related interest of \$5,706,803) are being serviced by the G.O. Special Assessment – Streets Debt Service Fund.

General Obligation HRA Tax Increment Bonds

During November 2000, the City of Saint Paul issued General Obligation Riverfront Tax Increment Bonds, Series 2000D in the amount of \$8,335,000 to currently refund the Riverfront Tax Increment Bonds, Series 1993C. The primary source to retire the Series 2000D Bonds is tax increment revenue from the HRA Riverfront Tax Increment Financing District. In addition, the HRA has issued a general promise to the City to finance any debt service shortfall that exists after using the tax increment revenue. This current refunding was undertaken in order that debt service requirements for the Riverfront Tax Increment Financing District could be reduced through a lower interest rate. Total debt service payments were reduced by \$478,192 over the remaining 12 years on the bonds. The current refunding resulted in an economic gain (difference between the present values of the debt service payments of the refunded and refunding bonds) of \$360,984. The Series 2000D Bonds had a balance of \$7,245,000 as of December 31, 2003.

The Riverfront Tax Increment Refunding Bonds, Series 2002C were issued in March 2002 in the amount of \$2,335,000 to currently refund the Riverfront Tax Increment Bonds, Series 1993D. This current refunding was done to take advantage of lower interest rates and reduce debt service payments. Total debt service payments decreased by \$326,183 over the remaining ten years on the bonds as a result of the refunding. The current refunding resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$269,228. HRA tax increment revenues from the Riverfront District are to be used to retire the Series 2002C Bonds. In addition, the City of Saint Paul has issued a general obligation pledge on the bonds. The Series 2002C Bonds had a balance of \$2,150,000 outstanding as of December 31, 2003.

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment (continued)

Governmental Activity Long-Term Obligations (continued)

During 1995, the City of Saint Paul issued Midway Marketplace Tax Increment General Obligation Bonds, Series 1995A in the amount of \$7,660,000. Proceeds from the Series 1995A Bonds are to be used to provide financing for certain public redevelopment costs in an area referred to as Midway Marketplace. The bonds have a City general obligation pledge, but are to be retired using tax increments from the HRA's Snelling-University District and certain shortfall payments from the project developers as defined in the development agreements. The 1995A Bonds had a balance of \$5,460,000 outstanding at December 31, 2003.

The total General Obligation HRA Tax Increment Bonds as of December 31, 2003 was \$14,855,000.

Sales Tax Revenue Bonds

In 1999, the City issued \$72,570,000 of Sales Tax Revenue Bonds. The bonds were issued to finance a portion of the costs of demolishing an existing arena facility located in the downtown area of the City and constructing a new multipurpose sports and entertainment arena (the "Arena") on the site of the demolished arena. The Arena is located adjacent and connected to the Saint Paul RiverCentre complex, comprised of an auditorium, arena, exhibit hall and parking ramps. The debt on these Sales Tax Revenue is being serviced by the City Revenue Bonds and Other Long-Term Debt – Debt Service Fund. The 1999A Bonds had a balance of \$69,840,000 outstanding as of December 31, 2003.

HRA Tax Increment Revenue Bonds

The North Quadrant Tax Increment Refunding Bonds, Series 2002 were issued in April 2002 in the amount of \$1,089,000 to currently refund the North Quadrant Tax Increment Bonds, Series 2000 that were issued in November 2000 in the amount of \$1,283,000 to provide financing for owner-occupied housing in the North Quadrant Tax Increment Financing District. This current refunding was done to take advantage of lower interest rates and reduce debt service payments. Debt service payments decreased by \$67,659 over the remaining 26 years on the bonds as a result of the refunding. The current refunding resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$118,015. HRA tax increment revenues from the North Quadrant District are to be used to retire the Series 2002 Bonds. The 2002 Bonds had a balance of \$1,084,000 outstanding as of December 31, 2003.

The North Quadrant Phase II Tax Increment Bonds, Series 2002 were issued in June 2002 in the amount of \$1,140,000 to provide financing for development in the North Quadrant Tax Increment District. The bonds are to be retired using tax increment revenue from the North Quadrant District. The 2002 Bonds had a balance of \$1,140,000 as of December 31, 2003.

In January 1998, the HRA issued \$24,295,000 in Downtown Tax Increment Refunding Bonds, Series 1998 to advance refunding to the Downtown and Seventh Place Tax Increment Bonds, Series 1993. Along with the 1998 advance refunding bond proceeds of \$23,765,925 (net of discount and costs of issuance) existing balances in the HRA Debt Service Fund of \$2,028,144 were used by the HRA to purchase U.S. Government Securities, which were placed into an irrevocable trust account with an escrow agent for the purpose of generating resources for all future debt service payments of the refunded debt. The Series 1993 Bonds are considered to be defeased and the liability is not reported as a general long-term obligation. This advance refunding was undertaken in order that debt service requirements for the Downtown and Seventh Place Tax Increment District could be reduced, and also, in order that the Block 39 property could be removed from the Downtown and Seventh Place district and established as a separate tax increment district, which allowed development of this block. At December 31, 2003, \$13,145,000 of the 1998 HRA Downtown Tax Increment Refunding Bonds were outstanding.

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment (continued)

Governmental Activity Long-Term Obligations (continued)

The HRA New Housing and Blighted Lands Tax Increment Revenue Bonds, Series 1986 were advance refunded in 1995 using proceeds from the \$4,720,000 HRA New Housing and Blighted Lands Tax Increment Revenue Bonds, Series 1995. The Series 1995 Refunding Bonds are being retired using tax increments from the New Housing and Blighted Lands District. \$1,880,000 of these 1995 Refunding bonds were outstanding at December 31, 2003.

The Spruce Tree Tax Increment Refunding Bonds, Series 2003 were issued in March 2003 in the amount of \$1,890,000, and along with existing funds of the HRA, currently refunded the Spruce Tree Tax Increment Bonds, Series 1988. This current refunding was done to take advantage of lower interest rates and reduce debt service payments. Total debt service payments decreased by \$452,701. The current refunding resulted in an economic gain (difference between the present value of the debt service payments of the refunded and the refunding bonds of \$253,538). For the government-wide financial statements, the reacquisition price and the net carrying amount of the refunded bonds were both \$2,900,000. HRA tax increment revenues from the Spruce Tree/Metz District are to be used to retire the Series 2003 Bonds.

The US Bank Tax Increment Bonds, Series 2001, were issued in August 2001 in the amount of \$12,000,000 to provide a portion of the financing for the construction of a US Bank Operations Center in the HRA's Riverfront Renaissance Tax Increment Financing District. The bonds are to be retired using tax increment revenue from the Riverfront Renaissance District. At December 31, 2003, \$12,000,000 of Series 2001 Bonds were outstanding.

The Upper Landing Tax Increment Bonds, Series 2002A, Series 2002B-1 and Series 2002B-2 were issued in October 2002 in the amount of \$19,130,000 to provide financing for development of the Upper Landing area in the HRA's Riverfront Renaissance Tax Increment District. The bonds are to be retired using tax increment revenue from the Riverfront Renaissance District. At December 31, 2003, \$19,130,000 of the bonds were outstanding.

The Drake Marble Tax Increment Bonds, Series 2002 were issued in November 2002 in the amount of \$1,800,000 to provide financing for renovation of the Drake Marble building in the Riverfront Renaissance Tax Increment District. The bonds are to be retired using tax increment revenue from the Riverfront Renaissance District. At December 31, 2003, \$1,800,000 of Series 2002 were outstanding.

The Gateway Tax Increment Bonds, Series 2003C and Series 2003D were issued in the amount of \$4,820,000 to provide financing for the Gateway Apartments project. The Bonds were issued at a variable rate of one percent plus prime. The Bonds are to be retired solely through HRA tax increment revenues from the Shepard-Davern Tax Increment Financing District.

The HRA's Tax Increment Revenue Bonds do not constitute a general obligation of the City and are not backed by the City's full faith and credit. At December 31, 2003, \$56,889,000 of HRA Tax Increment Revenue Bonds were outstanding.

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment (continued)

Governmental Activity Long-Term Obligations (continued)

HRA Sales Tax Revenue Bonds

In April 1996, the HRA issued \$55,865,000 in Sales Tax revenue Advance Refunding Bonds, Series 1996 to advance refund the Sales Tax Revenue Bonds, Series 1993. Along with the 1996 advance refunding net bond proceeds of \$58,093,104, existing fund balance in the HRA General Debt Service Fund of \$200 was used by the HRA to purchase U.S. Government Securities, which were placed into an irrevocable trust account with an escrow agent for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2003, \$47,255,000 of HRA Sales Tax Revenue Advance Refunding Bonds were outstanding.

HRA Lease Revenue Bonds

The RiverCentre Parking Facility Lease Revenue Bonds, Series 2000 were issued in May 2000 in the amount of \$7,240,000 to finance improvements to the RiverCentre Parking Ramp, which is owned by the City of Saint Paul. The bonds are payable from payments made by the City to the HRA for leasing the improvements. The outstanding balance was \$6,970,000 as of December 31, 2003.

The Central Library Lease Revenue Bonds, Series 2000 were issued in December 2000 in the amount of \$11,775,000 to provide financing for the renovation of the City's Central Library. The bonds are payable from payments made by the City to the HRA for leasing the improvements. The Friends of the Saint Paul Public Library has guaranteed the payment of the lease, although the City intends to use its future Capital Improvement Bond proceeds to finance the lease payments. As of December 31, 2003, the outstanding balance was \$2,045,000.

At December 31, 2003, the HRA Lease Revenue Bonds liability was \$9,015,000.

Revenue Notes Payable

In 1994, the City implemented the Saint Paul Energy Conservation Project, which is designed to evaluate energy usage in City-owned buildings and make improvements to achieve energy savings. The City has entered into note agreements with Xcel Energy to provide the City interest-free loans to finance the project. The notes are to be paid within ten (10) years. At December 31, 2003, \$510,586 of notes were outstanding.

During 1998, the City began construction of the new multi-purpose RiverCentre Arena, which presently houses a National Hockey League team (completed in 2000). The City received an interest-free loan from the State of Minnesota in the amount of \$65,000,000 for the construction of this arena. Payments on this loan, which will be \$48,000,000 due to the forgiveness of \$17,000,000 by the State, began in 2003 and will be paid through the year 2020. A portion of the payments by the hockey team will be used to repay the loan. The City recorded the proceeds and liability of the loan as it was expended by the State. As of December 31, 2003, the outstanding balance of the RiverCentre Arena Note was \$46,750,000.

In 1997, the City entered into a note agreement with the Saint Paul Foundation to provide the City a \$3,000,000 loan to acquire real property from West Publishing Corporation for the Science Museum Project. The loan is to be repaid with interest of one percent (1%) per annum in ten equal annual installments commencing on January 1, 1998. The loan will be repaid from the repayment of District Energy West Franchise Fees, Ryan Block parking revenues and cultural sales tax. At December 31, 2003, \$1,035,933 of this Science Museum Revenue Note was outstanding.

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment (continued)

Governmental Activity Long-Term Obligations (continued)

HRA Revenue Notes

\$16,103,234 of Saint Paul's governmental activity long-term obligations consist of HRA notes payable.

A summarized analysis of the HRA Revenue Notes payable at December 31, 2003 follows:

Note	Lender	Source for Retirement	Amount Payable 12/31/03	Due Within One Year
Selby-Western Judgment Note	Wells Fargo	HRA General Fund	\$ 118,826	\$ 118,826
United Hospital Project Note	Wells Fargo	United Hospital Loan Repayments	326,000	326,000
HUD Section 108 Note Series 1997A	Public Sale	Tax Increments and Loan Repayments	1,625,000	505,000
HUD Section 108 Note Series 2003A and 2003B	JP Morgan Chase Bank	HUD grants, Port Authority Payments and Land Sale Proceeds	8,000,000	-
West Side Flats Property Note	River Properties of Saint Paul, LTD	Riverfront Renaissance District Tax Increments	283,408	283,408
Biotech Note – 1000 Westgate Drive	RT Center LLC	HRA General Fund	5,750,000	-
			<u>\$16,103,234</u>	<u>\$ 1,233,234</u>

Compensated Absences

Included in the City's governmental long-term obligations is \$17,903,780 of accrued compensated absences relating to employees not accounted for in proprietary funds. Governmental funds that report salaries in their statement of revenues, expenditures and changes in fund balance are charged on a proportionate basis for the actual payments made by the General Fund of the severance pay portion of the compensated absences liability. Actual payments of the vacation and compensatory time portion of the compensated absences liability are made directly from the same governmental funds that incurred the salary expenditures.

Claims and Judgments Payable

Claim and judgment expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These liabilities include an estimate of claims that have been incurred but not reported (IBNR). Claim expenditures relating to tort liabilities are paid from the General Fund. Workers' compensation claim expenditures are recorded in the General Fund and are allocated to other City funds based upon a fringe benefit rate applied to each fund's actual salaries. The liability for claims and judgments is reported in the government-wide financial statements. At December 31, 2003, the claims and judgments liability was \$18,714,559.

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment (continued)

Governmental Activity Long-Term Obligations (continued)

Capital Lease

A 20-year lease agreement dated October 14, 1998 was entered into in order to finance the acquisition and renovation of expanded heating, ventilation and air conditioning systems, electrical and fire suppression systems, and workstations for the City Hall Annex. A capital lease payable of \$2,526,750 was outstanding at December 31, 2003, and recognized in the Real Estate Management Internal Service Fund.

A 30-year RiverCentre Pedestrian Link Cooperative Agreement dated May 23, 2002 was entered into with Ramsey County to finance the designing and construction of a pedestrian connection between the RiverCentre Complex and the existing skyway system in Landmark Tower. A capital lease payable of \$6,722,000 was outstanding at December 31, 2003. Annual liquidation of this capital lease liability is reported in the Revenue Notes and Other Long-Term Debt Service Fund.

A 20-year lease agreement was entered into with Ramsey County on December 16, 2002. The County financed the repair, renovation and remodeling of the Saint Paul Police Headquarters Facility through the use of proceeds of the sale of revenue bonds in the year 2003; and the City agreed to reimburse the County for the expense incurred for issuance and repayment of the bonds through rent payments scheduled to begin in 2004. A capital lease payable of \$13,845,000 was outstanding as of December 31, 2003 and recognized in the City General Fund.

The following is a schedule by years of future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments of December 31, 2003.

	Real Estate Management Fund	RiverCentre Pedestrian Link	Saint Paul Police Headquarters Facility Lease
Year Ended December 31			
2004	\$ 253,017	\$ 396,320	\$ 1,055,617
2005	253,017	395,755	1,050,342
2006	253,017	395,011	1,048,542
2007	253,017	394,088	1,046,217
2008	253,017	392,985	1,048,368
Thereafter	<u>2,530,169</u>	<u>8,618,543</u>	<u>15,943,856</u>
Total Minimum Lease Payments	\$ 3,795,254	\$ 10,592,702	\$ 21,192,942
Less Amount Representing Interest	<u>(1,268,504)</u>	<u>(3,870,702)</u>	<u>(7,347,942)</u>
Present Value of Future Capital Lease Payments	<u>\$ 2,526,750</u>	<u>\$ 6,722,000</u>	<u>\$ 13,845,000</u>

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment (continued)

Business-Type Activity Long-Term Obligations

General Obligation Bonds

Included in the City's business-type activity long-term obligations are Sewer Utility General Obligation Bonds issued in 1998. The proceeds of these bonds are being used for sewer rehabilitation construction. At December 31, 2003, \$3,865,000 of outstanding bonds were recorded as a liability in the Sewer Utility Enterprise Fund.

General Obligation HRA Tax Increment Bonds

During 1998, the City of Saint Paul issued Block 39 Tax Increment General Obligation Bonds, Series 1998A and Series 1998B in the amount of \$21,255,000 and \$18,745,000, respectively. Proceeds from the Series 1998A and Series 1998B are being used to finance the acquisition of Block 39 properties in the downtown area and to construct a parking facility and retail space. The Bonds have a City general obligation pledge, but are to be retired using tax increments from the HRA's Block 39 Lawson/Arena District and revenues from the parking facility. The total amount of these bonds outstanding at December 31, 2003 were \$21,255,000 and \$16,940,000 and recognized as a liability in the HRA Parking Enterprise Fund.

Revenue Bonds

The Sewer Utility issued \$26,280,000 of revenue refunding bonds in March 2003, payable from revenues of the Sewer Utility Enterprise Fund. The proceeds of this issue, combined with funds in the 1993 debt service account and the 1993 debt service reserve were used to current refund the 2004-2008 maturities, whose amount totaled \$28,435,000, of the Utility's Sewer Revenue Refunding Bonds, Series 1993 on June 1, 2003. Average annual debt service payments decreased by \$509,880 over the remaining five years on the bonds as a result of the refunding. The current refunding resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$2,685,011.

The Rice and Arlington Sports Dome Fund is reporting \$3,390,000 of revenue bonds outstanding at December 31, 2003. These bonds were issued in 1996 for the purpose of constructing a sports dome. The City has discontinued using this facility to provide year round recreation programming. The building is used to house municipal athletic staff and operates batting cages and the fields are utilized during the summer. The General Fund provides a transfer to cover the debt service payment. Bond indenture requirements have been met by appropriate reserves.

HRA Parking System Revenue Bonds

The Parking Revenue Bonds include the Parking Revenue Refunding Bonds, Series 2001A, which were issued in March 2001 in the amount of \$6,755,000 to currently refund the Variable Rate Demand Parking Revenue Bonds, Series 1995B. This current refunding was done to fix the interest rate over the life of the bonds and to take advantage of a low interest rate. Total debt service payments increased by \$78,096 over the remaining 17 years on the bonds as a result of the refunding. The current refunding resulted in an economic loss (difference between the present values of the debt service payments of the refunded and refunding bonds) of \$504,836. These calculations assumed an interest rate of 3.650 percent on the refunded Series 1995 Variable Rate Bonds. Net revenues (as defined in the Series 2001A Bond documents) of the HRA Parking Enterprise Fund are to be used and are pledged as the source to retire the Series 2001A Bonds. At December 31, 2003, \$5,795,000 of the Series 2001A Refunding Bonds was outstanding.

In addition, \$8,235,000 of HRA Parking System Refunding Revenue Bonds, Series 1995A and \$9,525,000 of HRA World Trade Center Ramp Bonds, Series 1997A were outstanding at December 31, 2003.

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment (continued)

Business-Type Activity Long-Term Obligations (continued)

The Parking Revenue Bonds, Series 2002A and Series 2002B were issued in May 2002 in the total amount of \$18,545,000 to provide financing for the construction of a 1,044-space parking ramp located on Block 19 in the downtown area. The bond proceeds were deposited into the HRA Parking Enterprise Fund and the bonds will be retired using parking revenues in the same enterprise fund. The outstanding balance as of December 31, 2003 was \$18,545,000.

The total amount of HRA Parking System Revenue Bonds outstanding as of December 31, 2003 was \$42,100,000, and is recognized in the HRA Parking Enterprise Fund.

Revenue Notes

From 1993 through 2002, the Department of Public Works entered into loan agreements with the State of Minnesota, Department of Trade and Economic Development, Public Facilities Authority, for long-term notes. The total principal amount of the long-term portion of the loans at December 31, 2003 was \$17,563,718. The loans have interest rates that vary between 2.57% and 3.87%. The proceeds of these loans were used to construct sewer facilities which reduce the amount of groundwater “inflow and infiltration” entering the City’s sanitary sewer system, thereby decreasing the cost of sewage treatment. The notes are payable from the Sewer Utility Enterprise Fund.

The RiverCentre Exhibit Hall Parking Ramp Notes were issued in 1995 in the amount of \$1,500,000. The outstanding balance as of December 31, 2003 was \$1,210,000. City parking revenues are used to retire the notes, which are recognized as a liability in the HRA Parking Enterprise Fund.

The Block 39 Municipal Parking Ramp Notes were issued in 1999 in the amount of \$2,000,000. The ramp revenues will be used to retire the notes beginning 2017. The notes are recognized as a liability in the HRA Parking Enterprise Fund.

Compensated Absences

Proprietary fund accrued liabilities for compensated absences are also included in the City’s long-term obligations of \$767,542. Liabilities have been reported in the appropriate fund’s financial statements.

Capital Lease

A 15-year lease agreement was entered into on July 30, 1998 to finance the acquisition of RiverCentre exhibit hall/meeting room furniture, ballroom furniture, a staging/riser package, office furniture and equipment, building operations equipment and audio/visual equipment. A long-term capital lease payable of \$1,760,582 was outstanding at December 31, 2003, and recognized in the RiverCentre Operating Enterprise Fund.

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

3. Sources for Long-Term Obligations Repayment (continued)

Business-Type Activity Long-Term Obligations (continued)

Capital Lease (continued)

The following is a schedule by years of future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments of December 31, 2003:

Year Ended December 31	Amount
2004	\$ 231,457
2005	231,457
2006	231,457
2007	231,457
2008	231,457
Thereafter	<u>1,157,287</u>
Total Minimum Lease Payments	\$ 2,314,572
Less: Amount Representing Interest	<u>(553,990)</u>
Present Value of Future Capital Lease Payments	<u><u>\$ 1,760,582</u></u>

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Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

4. Changes in Bonds Payable

Bonds Payable at January 1, 2003			\$ 452,824,000
New Debt:			
G.O. Bonds:			
Capital Improvement Bonds	\$ 22,235,000		
Special Assessment Debt with Governmental Commitment	<u>3,340,000</u>		
Subtotal		\$ 25,575,000	
Sewer Revenue Refunding Bonds		26,280,000	
HRA Tax Increment Revenue Bonds		<u>6,710,000</u>	
Subtotal			58,565,000
Debt Retired:			
G.O. Bonds – Property Tax Supported	\$ (21,750,000)		
G.O. Special Assessment Bonded Debt with Governmental Commitment	(1,795,000)		
HRA G.O. Tax Increment Bonds	(990,000)		
HRA Tax Increment Revenue Bonds	(5,555,000)		
HRA Sales Tax Revenue	(1,065,000)		
HRA Lease Revenue Bonds	<u>(3,180,000)</u>		
Subtotal		\$ (34,335,000)	
Sewer Utility Enterprise Fund			
General Obligation Bonds	\$ (180,000)		
Revenue Bonds	<u>(33,755,000)</u>		
Subtotal		(33,935,000)	
Rice and Arlington Sports Dome Enterprise Fund			
Revenue Bonds		(140,000)	
City Revenue Bonds and Other Long-Term Debt– Debt Service Fund:			
Sales Tax Revenue Bonds		(745,000)	
HRA Parking Facilities Enterprise Fund:			
General Obligation Bonds		(950,000)	
Revenue Bonds		<u>(1,315,000)</u>	
Subtotal			<u>(71,420,000)</u>
Bonds Payable at December 31, 2003			<u><u>\$ 439,969,000</u></u>

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

5. Bonds Payable Summary

G.O. Bonds – Property Tax Supported	\$ 105,370,000	
G.O. Special Assessment Debt with Governmental Commitment	22,915,000	
Sales Tax Revenue Bonds	69,840,000	
HRA G.O. Tax Increment	14,855,000	
HRA Tax Increment Revenue Bonds	56,889,000	
HRA Sales Tax Revenue Bonds	47,255,000	
HRA Lease Revenue Bonds	<u>9,015,000</u>	
Subtotal		\$ 326,139,000
Sewer Utility Enterprise Fund Debt:		
General Obligation Bonds – Current	\$ 190,000	
– Noncurrent	3,675,000	
Revenue Bonds – Current	5,750,000	
– Noncurrent	<u>20,530,000</u>	
Subtotal		30,145,000
Rice and Arlington Sports Dome Fund Debt:		
Revenue Bonds – Current	\$ 150,000	
– Noncurrent	<u>3,240,000</u>	
Subtotal		3,390,000
HRA Parking Facilities Enterprise Fund Debt:		
General Obligation Bonds – Current	\$ 1,055,000	
– Noncurrent	37,140,000	
Revenue Bonds – Current	1,385,000	
– Noncurrent	<u>40,715,000</u>	
Subtotal		<u>80,295,000</u>
Bonds Payable at December 31, 2003		<u><u>\$ 439,969,000</u></u>

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

6. Bonds Payable - by Issue

Bonds payable at December 31, 2003, are composed of the following individual issues:

	Interest Rates	Interest Dates	Issue Date	Final Maturity Date	Authorized and Issued	Outstanding
GENERAL OBLIGATION BONDS						
<u>Property Tax Supported</u>						
Capital Improvement	3.50 to 5.00%	(4/1; 10/1)	4/1/94	4/1/04	\$ 14,750,000	\$ 1,775,000
	4.00 to 4.90%	(3/1; 9/1)	4/1/96	3/1/06	14,500,000	4,845,000
	4.00 to 4.70%	(6/1; 12/1)	12/1/96	12/1/06	3,000,000	1,050,000
	3.85 to 5.00%	(3/1; 9/1)	4/1/97	3/1/07	17,500,000	7,975,000
	4.25 to 4.50%	(4/1; 10/1)	4/1/98	4/1/08	15,000,000	8,200,000
	4.00%	(4/1; 10/1)	4/1/99	4/1/09	16,375,000	10,525,000
	5.125%	(3/1; 9/1)	3/1/00	3/1/10	19,000,000	14,325,000
	4.00 to 5.00%	(3/1; 9/1)	3/1/01	3/1/11	19,000,000	15,685,000
	1.45 to 4.125%	(3/1; 9/1)	3/1/02	3/1/12	19,000,000	17,350,000
	2.00 to 3.625%	(3/1; 9/1)	3/1/03	3/1/13	22,235,000	22,235,000
					<u>\$160,360,000</u>	<u>\$103,965,000</u>
Urban Renewal	5.25 to 5.50%	(4/1; 10/1)	4/1/74	4/1/04	\$ 3,045,000	\$ 135,000
Water Pollution Abatement	5.25 to 5.50%	(4/1; 10/1)			\$ 4,000,000	\$ 180,000
	5.80 to 6.25%	(3/1; 9/1)			<u>4,000,000</u>	<u>320,000</u>
					<u>\$ 8,000,000</u>	<u>\$ 500,000</u>
Water Pollution Abatement – Refunding						
Series 1987	4.50 to 6.00%				\$ 10,210,000	\$ 340,000
Series 1992						
Current	3.60 to 6.10%				\$ 2,435,000	\$ 253,700
Crossover	3.60 to 6.10%				<u>1,675,000</u>	<u>176,300</u>
					<u>\$ 4,110,000</u>	<u>\$ 430,000</u>
Total General Obligation Bonds – Property Tax Supported					<u>\$185,725,000</u>	<u>\$105,370,000</u>

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

6. Bonds Payable - by Issue (continued)

	<u>Interest Rates</u>	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
GENERAL OBLIGATION BONDS						
<u>Special Assessment Debt with Governmental Commitment</u>						
Assessed Reconstruction Work						
	4.20 to 5.30%	(3/1; 9/1)	3/1/95	3/1/07	\$ 3,110,000	\$ 1,410,000
	3.70 to 5.20%	(3/1; 9/1)	4/1/96	3/1/08	2,220,000	1,330,000
	4.30 to 5.20%	(3/1; 9/1)	4/1/97	3/1/09	2,450,000	1,575,000
	3.70 to 4.75%	(4/1; 10/1)	4/1/98	4/1/10	2,800,000	1,910,000
	4.00 to 4.50%	(4/1; 10/1)	4/1/99	4/1/11	3,730,000	2,715,000
	4.75 to 5.30%	(3/1; 9/1)	3/1/00	3/1/12	2,950,000	2,280,000
	4.00 to 5.00%	(3/1; 9/1)	4/1/01	3/1/13	3,630,000	2,845,000
	1.45 to 4.375%	(3/1; 9/1)	3/1/02	3/1/14	2,915,000	2,535,000
	2.00 to 3.75%	(3/1; 9/1)	0/1/03	3/1/15	3,340,000	3,340,000
Assessed Reconstruction Work Refunding -						
Series 1996C	3.60 to 5.25%	(3/1; 9/1)	4/1/96	3/1/11	<u>6,710,000</u>	<u>2,975,000</u>
Total General Obligation Special Assessment Debt with Governmental Commitment					<u>\$ 33,855,000</u>	<u>\$ 22,915,000</u>
<u>HRA Tax Increment</u>						
Riverfront Tax Increment – Refunding						
Series 2000D	4.50 to 5.00%	(2/1; 8/1)	11/15/00	2/1/12	\$ 8,335,000	\$ 7,245,000
Series 2002C	2.90 to 5.65%	(2/1; 8/1)	3/1/02	2/1/12	2,335,000	2,150,000
Midway Marketplace Tax Increment						
Series 1995A	6.90 to 8.45%	(3/1; 9/1)	3/14/95	3/1/17	<u>7,660,000</u>	<u>5,460,000</u>
Total General Obligation Bonds – HRA Tax Increment Bonds					<u>\$ 18,330,000</u>	<u>\$ 14,855,000</u>
<u>HRA Parking Facilities Enterprise Fund</u>						
Block 39 Tax Increment						
Series 1998A	4.60 to 4.75%	(2/1; 8/1)	1/1/98	2/1/25	\$ 21,255,000	\$ 21,255,000
Series 1998B	5.68 to 6.45%	(2/1; 8/1)	1/1/98	2/1/13	<u>18,745,000</u>	<u>16,940,000</u>
Total General Obligation Bonds – HRA Parking Facilities Enterprise Bonds					<u>\$ 40,000,000</u>	<u>\$ 38,195,000</u>
<u>Sewer Utility Enterprise Fund</u>						
Series 1998E	3.70 to 5.00%	(6/1; 12/1)	4/1/98	12/1/18	<u>\$ 4,700,000</u>	<u>\$ 3,865,000</u>
TOTAL GENERAL OBLIGATION BONDS					<u>\$ 282,610,000</u>	<u>\$ 185,200,000</u>

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

6. Bonds Payable - by Issue (continued)

	<u>Interest Rates</u>	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
REVENUE BONDS						
<u>Sewer Utility Enterprise Fund</u>						
Sewer Revenue Refunding Bonds –						
Series 1993	4.80 to 5.60%	(6/1; 12/1)	4/1/93	12/1/08	\$ 52,720,000	\$ -
Series 2003D	2.00 to 4.00%	(6/1; 12/1)	4/1/03	12/1/08	26,280,000	26,280,000
Total Sewer Revenue Refunding Bonds					<u>\$ 79,000,000</u>	<u>\$ 26,280,000</u>
<u>Rice and Arlington Sports Dome Enterprise Fund</u>						
Recreational Facilities Revenue Bonds –						
Series 1996D	4.30 to 5.88%	(6/1; 12/1)	9/1/96	6/1/18	<u>\$ 4,135,000</u>	<u>\$ 3,390,000</u>
<u>City Revenue Bonds and Other Long-Term Debt – Debt Service Fund</u>						
Sales Tax Revenue Bonds –						
Series 1999A	5.69 to 7.09 %	(5/1; 11/1)	3/2/99	11/1/25	<u>\$ 72,570,000</u>	<u>\$ 69,840,000</u>
<u>HRA General Debt Service Fund</u>						
HRA Tax Increment Revenue Bonds –						
New Housing and Blighted Lands Tax Increment District						
1995 Refunding Bonds	3.75 to 5.30%	(3/1; 9/1)	8/1/95	9/1/07	\$ 4,720,000	\$ 1,880,000
Downtown Tax Increment District Refunding Bonds –						
Series 1998	5.00 to 6.50%	(2/1; 8/1)	1/27/98	2/1/09	24,295,000	13,145,000
Spruce Tree Center Tax Increment District Bonds –						
Series 1988	9.375%	(3/1; 9/1)	4/1/88	3/1/13	3,975,000	-
Refunding Bonds Series 2003	6.50%	(3/1)	3/1/03	3/1/13	1,890,000	1,890,000
North Quadrant Tax Increment Refunding Bonds –						
Series 2002	7.50%	(2/15; 8/15)	5/1/02	2/15/28	1,089,000	1,084,000
Phase II Bonds						
Series 2002	7.00%	(2/15; 8/15)	6/13/02	2/15/28	1,140,000	1,140,000
U.S. Bank Tax Increment						
Series 2001	5.00 to 6.75%	(2/1; 8/1)	8/9/01	2/1/28	12,000,000	12,000,000
Upper Landing Tax Increment Bonds						
Series 2002A	6.80%	(3/1; 9/1)	11/1/02	3/1/29	5,000,000	5,000,000
Series 2002B-1	6.40 to 7.00%	(3/1; 9/1)	11/1/02	3/1/29	12,130,000	12,130,000
Series 2002B-2	6.90%	(3/1; 9/1)	11/1/02	3/1/29	2,000,000	2,000,000
Drake Marble Tax Increment Bonds						
Series 2002A	6.75%	(3/1; 9/1)	11/15/02	3/1/28	1,800,000	1,800,000
Gateway Tax Increment Bonds --						
Series 2003C	Var-Prime+1%	(2/1; 8/1)	11/18/03	8/1/31	2,609,000	2,609,000
Series 2003C	Var-Prime+1%	(2/1; 8/1)	11/18/03	8/1/31	<u>2,211,000</u>	<u>2,211,000</u>
Total HRA Tax Increment Revenue Bonds					<u>\$ 74,859,000</u>	<u>\$ 56,889,000</u>

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

6. Bonds Payable - by Issue (continued)

	<u>Interest Rates</u>	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
HRA Sales Tax Revenue Refunding Bonds Series 1996	7.10%	(5/1; 11/1)	4/1/96	11/1/23	\$ 55,865,000	\$ 47,255,000
HRA Lease Revenue Bonds RiverCentre Parking Facility Series 2000	4.87 to 6.00%	(5/1; 11/1)	5/1/00	5/1/14	\$ 7,240,000	\$ 6,970,000
Central Library Series 2000	4.30 to 4.60%	(5/1; 11/1)	12/19/00	5/1/04	11,775,000	2,045,000
Total HRA Lease Revenue Bonds					\$ 19,015,000	\$ 9,015,000
Total HRA General Debt Service Fund					\$ 149,739,000	\$ 113,159,000
HRA Parking System Revenue Bonds Refunding Bonds Series 1995A	4.00 to 5.75%	(2/1; 8/1)	6/1/95	8/1/13	\$ 12,145,000	\$ 8,235,000
Series 2001A	4.00 to 5.00%	(2/1; 8/1)	3/1/01	8/1/17	6,755,000	5,795,000
World Trade Center Ramp Bonds Series 1997A	6.75%	(6/1; 12/1)	11/13/97	12/1/17	11,305,000	9,525,000
Block 19 Bonds Series 2002A	4.85 to 5.35%	(2/1; 8/1)	5/16/02	8/1/29	14,295,000	14,295,000
Series 2002AB	5.10 to 6.50%	(2/1; 8/1)	5/16/02	8/1/16	4,250,000	4,250,000
Total HRA Parking System Revenue Bonds					\$ 48,750,000	\$ 42,100,000
TOTAL REVENUE BONDS					\$ 354,194,000	\$ 254,769,000
TOTAL BONDS PAYABLE					\$ 636,804,000	\$ 439,969,000

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

7. Prior Year Defeasance of Debt

In prior years, the City and HRA defeased certain general obligation bonds and self-supporting revenue bonds by placing the proceeds of the advance refunding bonds in special escrow accounts and investing in securities of the U.S. Government and its Agencies. The maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and have been certified to be sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the original refunded bonds have been eliminated and the new advance refunding bonds added to the appropriate financial statements. The City and HRA remain contingently liable to pay the refunded bonds. At December 31, 2003 the City had no balance of refunded debt outstanding. The HRA had \$90,521,469 of refunded debt outstanding at December 31, 2003.

HRA

Advance Refunding Bonds			Refunded Bonds		
Issue	Issue Amount	Balance Outstanding	Issue	Refunded Amount	Balance Outstanding
HRA Downtown Tax Increment Revenue Bonds, Series 1998	\$ 24,295,000	\$ -	HRA Downtown and Seventh Place Tax Increment Revenue Bonds, Series 1993	\$ 27,073,568	\$ 9,280,000
HRA Downtown and Seventh Place Tax Increment Revenue Bonds, Series 1993	\$ 23,950,000	\$ -	HRA Downtown and Seventh Place Tax Increment Revenue Bonds, 1989 Series A	\$ 11,186,381	\$ 3,538,788
			Series B	12,078,832	22,092,681
			Series C	4,265,821	-
HRA New Housing and Blighted Lands Tax Increment Revenue Bonds, Series 1995	\$ 4,720,000	\$ -	HRA New Housing and Blighted Lands Tax Increment Revenue Bonds, Series 1986	\$ 4,770,000	\$ 1,945,000
HRA Sales Tax Revenue Bonds, Series 1996	\$ 55,865,000	\$ -	HRA Sales Tax Revenue Bonds, Series 1993	\$ 63,930,000	\$ 53,665,000
					<u>\$ 90,521,469</u>

Note VI. Detailed Notes on All Funds (continued)

G. LONG-TERM OBLIGATIONS (continued)

8. Debt Limit

The City of Saint Paul's debt limit under State of Minnesota Laws has been calculated as follows:

Estimated Market Values (Levy 2003 – Payable 2004)	
Real Property Value	\$ 17,267,346,500
Personal Property Value	<u>295,189,400</u>
Estimated Market Value for Debt Limit Computation	\$ 17,562,535,900
% Allowed for Statutory Bonded Debt Limit – Minnesota Statutes Section 475.53, Subd. 3 and City Charter Section 10.14	x <u>3 1/3%</u>
DEBT LIMIT – Statutory Bonded Debt	<u><u>\$ 585,417,278</u></u>

\$87,460,000 of Saint Paul's \$439,969,000 bonded debt is subject to the Statutory Bonded Debt Limit. The amount of this debt subject to State Law Limitations and the resulting Legal Debt Margin is calculated as follows:

DEBT Limit – Statutory Bonded Debt		\$ 585,417,278
GROSS DEBT (Bonded)	\$ 439,969,000	
DEDUCTIONS (Allowable under Minnesota Statutes Section 475.51, Subd. 4):		
General Obligation Bonds		
Reserve for 2003 Maturities within Debt Limit	(16,505,000)	
Outside Statutory Debt Limit	(54,455,000)	
Outside Statutory Debt Limit – Revenue Supported	(26,780,000)	
Revenue Bonds	<u>(254,769,000)</u>	
TOTAL NET DEBT (BONDED) APPLICABLE TO DEBT LIMIT		<u>87,460,000</u>
LEGAL DEBT MARGIN		<u><u>\$ 497,957,278</u></u>

9. Direct, Overlapping and Underlying Debt

The City of Saint Paul's proportionate share of bonded debt affecting properties in Saint Paul is summarized as follows:

Governmental Unit	Gross Bonded Debt Less Sinking Funds	% Applied to City of Saint Paul	City of Saint Paul's Share
City of Saint Paul	\$ 77,600,884	100.00%	\$ 77,600,884
Independent School District #625	240,542,728	100.00%	240,542,728
County of Ramsey	95,778,565	46.80%	44,824,368
Metropolitan Council	134,270,882	7.66%	10,285,150
Port Authority of Saint Paul	<u>9,431,965</u>	100.00%	<u>9,431,965</u>
Total	<u><u>\$ 557,625,024</u></u>		<u><u>\$ 382,685,095</u></u>

Based on the City of Saint Paul's 2002 estimated population of 288,000, this resulted in a per capita City debt of \$269.45 and a per capita total debt of \$1,328.77.

Note VI. Detailed Notes on All Funds (continued)

H. OPERATING LEASE

From 1998 through 2003, the City entered into noncancelable operating leases for personal computers with Winthrop Resources. Total payments made for the leases during 2003 were \$1,011,512. The following schedule presents the future minimum rental payments for these operating leases:

Year Ended December 31	Amount
2004	\$ 786,056
2005	486,099
2006	<u>106,687</u>
Total Minimum Payments Required	<u>\$ 1,378,842</u>

I. SEGMENT INFORMATION

The City issued revenue bonds in 1996 to finance the construction of the Rice and Arlington Sports Dome, which is accounted for in a nonmajor enterprise fund. Summary financial information is presented below:

CONDENSED STATEMENT OF NET ASSETS

	Rice and Arlington Sports Dome
ASSETS	
Current Assets	\$ 87,954
Capital Assets	2,622,643
Deferred Charges	<u>56,478</u>
Total Assets	<u>\$ 2,767,075</u>
LIABILITIES	
Current Liabilities	\$ 168,181
Noncurrent Liabilities	<u>3,468,675</u>
Total Liabilities	<u>\$ 3,636,856</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ (746,032)
Unrestricted	<u>(123,749)</u>
TOTAL NET ASSETS	<u><u>\$ (869,781)</u></u>

Note VI. Detailed Notes on All Funds (continued)

I. SEGMENT INFORMATION (continued)

**CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

	Rice and Arlington Sports Dome
	<u> </u>
Fees, Sales, Services and Rental Charges (pledged against bonds)	\$ -
Depreciation Expense	(119,445)
Other Operating Expenses	<u>(2,418)</u>
Operating Income (Loss)	<u>\$ (121,863)</u>
Nonoperating Revenues (Expenses)	
Interest Earned on Investments	\$ 3,377
Interest Expense	(198,062)
Amortization of Bond Issuance Cost	(3,895)
Loss on Retirement of Assets	(458,943)
Transfers In (Out)	<u>337,085</u>
Total Other Nonoperating Revenues (Expenses)	\$ (320,438)
Changes in Net Assets	\$ (442,301)
Beginning Net Assets	<u>(427,480)</u>
ENDING NET ASSETS	<u><u>\$ (869,781)</u></u>

CONDENSED STATEMENT OF CASH FLOWS

	Rice and Arlington Sports Dome
	<u> </u>
Net Cash Provided (Used) by	
Operating Activities	\$ (4,817)
Noncapital Financing Activities	337,085
Capital and Related Financing Activities	(281,445)
Investing Activities	<u>2,576</u>
Net Increase (Decrease)	\$ 53,399
Beginning Cash and Cash Equivalents	<u>32,608</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 86,007</u></u>

Note VI. Detailed Notes on All Funds (continued)

J. UNRESERVED – DESIGNATED FUND BALANCES

Unreserved fund balances were designated to show the portion segregated from unreserved spendable (undesignated) resources as follows:

	General	HRA General Fund	General Debt Service	HRA General Debt Service	Other Governmental Funds
Unreserved,					
Designated for:					
Net Year's Appropriation	\$ 5,844,853	\$ 1,446,627	\$ 18,922,944	\$ -	\$ 5,098,476
Cash Flow	16,713,781	500,000	-	-	-
Revenue Estimates and Property Tax Relief	8,000,000	-	-	-	-
Tort and Other Legal Liabilities	600,000	-	-	-	-
Unemployment Compensation and Severance Pay	600,000	-	-	-	-
Net Unrealized Gains	414,150	55,167	122,223	185,615	590,923
Future Housing and Commercial Projects	-	500,000	-	-	7,226,261
Debt Service	-	-	7,124,963	26,882,040	15,416,963
Specific Capital Projects	-	-	-	-	57,332,017
Total	<u>\$ 32,172,784</u>	<u>\$ 2,501,794</u>	<u>\$ 26,170,130</u>	<u>\$ 27,067,655</u>	<u>\$ 85,664,640</u>

Note VII. Discretely Presented Component Units

A. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

The Saint Paul Regional Water Services (Regional Water Services) and the Port Authority are accounted for as proprietary fund types. Proprietary fund types are reported on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred. The Regional Water Services has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The Regional Water Services has elected to implement all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Port Authority has elected to apply the provisions of all relevant FASB pronouncements issued after November 30, 1989.

Financial information is presented as a discrete column in the statement of net assets and statement of activities.

Note VII. Discretely Presented Component Units (continued)

B. DEPOSITS AND INVESTMENTS

In accordance with Governmental Accounting Standards Board Statement No. 3, the following disclosures relating to Regional Water Services and Port Authority deposits and investments are presented:

Regional Water Services Deposits at December 31, 2003:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
(1) Insured or collateralized by securities held by the City or its agent in the City's name		
a) Demand Deposits (including interest bearing)	\$ 1,019,515	\$ 1,019,515
b) Certificates of Deposit	None	None
(2) Collateralized with securities held by the pledging institution's trust department in the City's name	None	None
(3) Uncollateralized	<u>None</u>	<u>None</u>
Totals	<u><u>\$ 1,019,515</u></u>	<u><u>\$ 1,019,515</u></u>

Regional Water Services Investments at December 31, 2003:

	<u>Custodial Credit Risk Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
<u>Securities Type</u>	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Government and Agency Securities					
Not on Securities Loan	\$ 31,279,437	\$ -	\$ -	\$ 31,279,437	\$ 31,306,179
Commercial Paper	<u>1,981,974</u>	<u>-</u>	<u>-</u>	<u>1,981,974</u>	<u>1,990,522</u>
	<u><u>\$ 33,261,411</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,261,411</u></u>	<u><u>\$ 33,296,702</u></u>

Note VII. Discretely Presented Component Units (continued)

B. DEPOSITS AND INVESTMENTS (continued)

Port Authority Deposits at December 31, 2003:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
(1) Insured or collateralized by securities held by the Port Authority or its agent in the Port Authority's name		
a) Demand Deposits (including interest bearing)	\$ 5,067,782	\$ 3,995,971
b) Certificates of Deposit	None	None
(2) Collateralized with securities held by the pledging institution's trust department in the Port Authority's name	None	None
(3) Uncollateralized	<u>\$ 478,291</u>	<u>\$ 478,291</u>
Totals	<u><u>\$ 5,546,073</u></u>	<u><u>\$ 4,474,262</u></u>

Port Authority Investments at December 31, 2003:

	<u>Custodial Credit Risk Category</u>				
Securities Type	1	2	3	Carrying Amount	Fair Value
U.S. Government and Agency Securities	\$ 16,887,507	\$ -	\$ -	\$ 16,887,507	\$ 16,887,507
Commercial Paper	11,798,756	-	-	11,798,756	11,798,756
Investments Not Subject to Categorization:					
Guaranteed Investment Contracts	-	-	-	4,903,353	4,903,353
Money Market Mutual Funds	-	-	-	3,216,186	3,216,186
Total Investments	<u><u>\$ 28,686,263</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,805,802</u></u>	<u><u>\$ 36,805,802</u></u>

The deposits and investments as described above are recorded in the financial statements as:

	Regional Water Services	Port Authority	Total
Cash and Investments	\$ 3,001,489	\$ 1,963,920	\$ 4,965,409
Investments	24,298,724	-	24,298,724
Restricted Cash	11,431	14,841,977	14,853,408
Restricted Investments	<u>6,969,282</u>	<u>24,474,167</u>	<u>31,443,449</u>
	<u><u>\$ 34,280,926</u></u>	<u><u>\$ 41,280,064</u></u>	<u><u>\$ 75,560,990</u></u>

In addition, the Regional Water Services reported department cash of \$393,341 and imprest funds of \$7,000 at December 31, 2003.

Note VII. Discretely Presented Component Units (continued)

B. DEPOSITS AND INVESTMENTS (continued)

Marketable Securities

The Regional Water Services and Port Authority adopted Statement 31. Statement 31 requires governmental entities to record investments at their fair value and recognize any unrealized holding gains or losses as a component of investment income.

C. CAPITAL ASSETS

Summary of Changes in Capital Assets of Regional Water Services:

	01/01/03	Additions	Deductions	12/31/03
Capital Assets				
Land	\$ 1,403,952	\$ -	\$ (74,335)	\$ 1,329,617
Buildings and Structures	37,602,283	130,105	(2,919,258)	34,813,130
Public Improvements	167,276,426	9,805,101	(433,336)	176,648,191
Equipment	28,228,998	2,325,568	(835,237)	29,719,329
Construction in Progress	22,450,297	14,881,221	(11,827,821)	25,503,697
Total Capital Assets	<u>\$ 256,961,956</u>	<u>\$ 27,141,995</u>	<u>\$ (16,089,987)</u>	<u>\$ 268,013,964</u>
Less Accumulated Depreciation for:				
Buildings and Structures	\$ (8,012,178)	\$ (708,594)	\$ 943,528	\$ (7,777,244)
Public Improvements	(48,735,336)	(3,335,799)	186,742	(51,884,393)
Equipment	(13,336,451)	(1,451,782)	453,130	(14,335,103)
Total Accumulated Depreciation	<u>\$ (70,083,965)</u>	<u>\$ (5,496,175)</u>	<u>\$ 1,583,400</u>	<u>\$ (73,996,740)</u>
Capital Assets, Net	<u>\$ 186,877,991</u>	<u>\$ 21,645,820</u>	<u>\$ (14,506,587)</u>	<u>\$ 194,017,224</u>

Summary of Changes in Capital Assets of Port Authority:

	01/01/03	Additions	Deductions	12/31/03
Capital Assets				
Land	\$ 13,494,607	\$ -	\$ -	\$ 13,494,607
Buildings and Structures	79,854,289	597,648	(1,957,648)	78,494,289
Equipment	17,250,328	1,092,784	(433,428)	17,909,684
Construction in Progress	125,267	320,864	-	446,131
Total Capital Assets	<u>\$ 110,724,491</u>	<u>\$ 2,011,296</u>	<u>\$ (2,391,076)</u>	<u>\$ 110,344,711</u>
Less Accumulated Depreciation for:				
Buildings and Structures	\$ (31,984,797)	\$ (3,077,101)	\$ 418,000	\$ (34,643,898)
Equipment	(12,567,220)	(2,160,348)	423,789	(14,303,779)
Total Accumulated Depreciation	<u>\$ (44,552,017)</u>	<u>\$ (5,237,449)</u>	<u>\$ 841,789</u>	<u>\$ (48,947,677)</u>
Capital Assets, Net	<u>\$ 66,172,474</u>	<u>\$ (3,226,153)</u>	<u>\$ (1,549,287)</u>	<u>\$ 61,397,034</u>

Note VII. Discretely Presented Component Units (continued)

D. LONG-TERM OBLIGATIONS

At December 31, 2003 long-term obligations consisted of:

	Unpaid Balances December 31, 2003	Principal	
		Less Current Maturities	Long-Term Maturities
Regional Water Services:			
Revenue Bonds	\$ 21,500,000	\$ 1,315,000	\$ 20,185,000
Revenue Notes	16,562,390	1,192,547	15,369,843
Capital Lease	144,614	144,614	-
Compensated Absences Payable	1,586,015	79,927	1,506,088
Claims and Judgments Payable	1,279,969	410,357	869,612
Total	<u>\$ 41,072,988</u>	<u>\$ 3,142,445</u>	<u>\$ 37,930,543</u>
Port Authority:			
General Obligation Bonds	\$ 38,620,000	\$ 14,895,000	\$ 23,725,000
Revenue Bonds	79,335,483	2,098,512	77,236,971
Revenue Notes	10,404,942	1,092,746	9,312,196
Capital Lease	20,923	11,767	9,156
Total	<u>\$ 128,381,348</u>	<u>\$ 18,098,025</u>	<u>\$ 110,283,323</u>

E. PRINCIPAL AND INTEREST REQUIREMENTS ON LONG-TERM OBLIGATIONS – BONDS AND NOTES

Regional Water Services:

Total principal and interest requirements relating to outstanding revenue bonds and notes at December 31, 2003 were as follows:

	Principal	Interest	Total
Revenue Bonds	\$ 21,500,000	\$ 9,428,004	\$ 30,928,004
Revenue Notes	16,562,390	4,174,146	20,736,536
Total	<u>\$ 38,062,390</u>	<u>\$ 13,602,150</u>	<u>\$ 51,664,540</u>

Port Authority:

Total principal and interest requirements relating to outstanding general obligation bonds, revenue bonds and revenue notes at December 31, 2003 were as follows:

	Principal	Interest	Total
General Obligation Bonds	\$ 38,620,000	\$ 4,138,203	\$ 42,758,203
Revenue Bonds and Notes	89,740,425	93,428,339	183,168,764
Total	<u>\$ 128,360,425</u>	<u>\$ 97,566,542</u>	<u>\$ 225,926,967</u>

The Port Authority has issued debt obligations to finance numerous development projects. The debt is secured by the related amounts to be received under leases, loan agreements and ad valorem property taxes. These obligations are not secured by the credit of the Authority, and the Authority is not obligated in any manner for repayment of the debt. Accordingly, this no-commitment debt is not reported as a liability in the Port Authority's financial statements. At December 31, 2003, outstanding no-commitment debt totaled \$351 million.

Note VII. Discretely Presented Component Units (continued)

F. NET ASSETS – RESTRICTED

As of December 31, 2003, net assets were restricted for the following purposes:

	Regional Water Services	Port Authority	Total
For Revenue Bond Current Debt Service	\$ 2,174,649	\$ -	\$ 2,174,649
For Revenue Bond Future Debt Service	3,708,437	-	3,708,437
For Revenue Bond Operations and Maintenance	1,008,728	-	1,008,728
For Bond Indentures	-	9,062,465	9,062,465
Total	<u>\$ 6,891,814</u>	<u>\$ 9,062,465</u>	<u>\$ 15,954,279</u>

G. CONDENSED FINANCIAL INFORMATION

The following provides component unit condensed financial information for the year ended December 31, 2003:

Condensed Statement of Net Assets

	Regional Water Services	Port Authority	Total
Current Assets	\$ 36,297,506	\$ 10,209,767	\$ 46,507,273
Due from Primary Government	203,407	-	203,407
Restricted Assets	6,980,713	39,316,144	46,296,857
Capital Assets – Net	194,017,224	61,397,034	255,414,258
Other Assets	335,956	25,984,027	26,319,983
Total Assets	<u>\$ 237,834,806</u>	<u>\$ 136,906,972</u>	<u>\$ 374,741,778</u>
Current Liabilities	\$ 7,779,620	\$ 28,845,799	\$ 36,625,419
Due to Primary Government	2,322,007	-	2,322,007
Non-Current Liabilities (Net of Unamortized Discount)	37,622,953	110,663,281	148,286,234
Total Liabilities	<u>\$ 47,724,580</u>	<u>\$ 139,509,080</u>	<u>\$ 187,233,660</u>
Net Assets	<u>\$ 190,110,226</u>	<u>\$ (2,602,108)</u>	<u>\$ 187,508,118</u>

Note VII. Discretely Presented Component Units (continued)

G. CONDENSED FINANCIAL INFORMATION (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Regional Water Services	Port Authority	Total
Operating Revenues	\$ 33,759,925	\$ 32,353,952	\$ 66,113,877
Operating Expenses	23,584,274	24,863,442	48,447,716
Depreciation	5,084,413	5,486,416	10,570,829
Operating Income	\$ 5,091,238	\$ 2,004,094	\$ 7,095,332
Total Nonoperating Revenues (Expenses)	(962,783)	(6,678,165)	(7,640,948)
Capital Contributions	2,015,824	-	2,015,824
Change in Net Assets	\$ 6,144,279	\$ (4,674,071)	\$ 1,470,208
Net Assets, January 1	183,965,947	2,071,963	186,037,910
Net Assets, December 31	<u>\$ 190,110,226</u>	<u>\$ (2,602,108)</u>	<u>\$ 187,508,118</u>

H. PENSION PLANS

Regional Water Services employees are covered by the Public Employees Retirement Association (PERA) pension plan. As previously stated, PERA does not make separate measurements of assets and pension benefit obligation for individual employers. See Note VIII. A. for disclosures relating to the PERA pension plan.

Prior to July 1, 2003, all full-time employees who met length-of-service requirements were required to participate in a Port Authority sponsored Section 414(d) employee benefit plan. Effective July 1, 2003, all employees hired after June 30, 2003, and employees 45 years of age or younger as of December 31, 2002, as well as any other employee making a permanent election, became participants in the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plan. The following is a description of these plans:

Port Authority 414(d) Plan: The Port Authority sponsors a Section 414(d) employee benefit plan covering all full-time employees who were hired prior to June 30, 2003, and did not elect to participate in the PERF. Employee participation in the plan is mandatory, and employees are required to contribute five percent of their salary. The Port Authority provides a matching contribution of five percent. In addition, the Port Authority makes an additional annual contribution of approximately one percent to employees employed as of December 31. Total contributions were approximately \$69,000 in 2003.

Public Employees Retirement Fund (PERF): All full-time and certain part-time employees of the Port Authority who were hired after June 30, 2003, and those employees hired prior to June 30, 2003, who were required to or elected to participate in PERF are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to the Coordinated Plan. All participating employees of the Port Authority are Coordinated Plan members and are covered by Social Security.

Note VIII. Other Information

A. PENSION PLANS

1. Defined Benefit Plans: *Public Employees Retirement Association*

a. Plan Descriptions

All full-time and certain part-time employees of the City of Saint Paul who are not participants of the Housing and Redevelopment Authority Pension Plan are covered by retirement plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and the Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service.

For all PEPFF members and for PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single annuity is a lifetime annuity that ceases upon the death of the retiree; no survivor annuity is payable. Also available are various types of joint and survivor annuity options that will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly-available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at mnpera.org, or by writing to PERA, 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088 or by calling 651-296-7460 or 1-800-652-9026.

Note VIII. Other Information (continued)

A. PENSION PLANS (continued)

1. Defined Benefit Plans: *Public Employees Retirement Association* (continued)

b. Funding Policy

Pension benefits are funded from member and employee contributions and income from investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. The following table lists the required contribution rates for employees and employers under the various plans administered by PERA. Rates are applied to annual covered salary.

<u>Retirement Plan</u>	<u>Employee</u>	<u>Employer</u>
Public Employees Retirement Fund (PERF)		
Basic	9.10%	11.78%
Coordinated	5.10%	5.53%
Public Employees Police and Fire Fund (PEPFF)	6.20%	9.30%

The City's contributions to the cost-sharing retirement plans for the years ending December 31, 2003, 2002 and 2001 were the following:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Public Employees Retirement Fund (PERF)			
Basic	\$ 54,509	\$ 86,563	\$ 143,256
Coordinated	<u>5,081,932</u>	<u>5,101,862</u>	<u>4,735,296</u>
	\$ 5,136,441	\$ 5,188,425	\$ 4,878,552
Public Employees Police and Fire Fund (PEPFF)	<u>\$ 5,612,928</u>	<u>\$ 5,597,012</u>	<u>\$ 5,449,495</u>
Total	<u><u>\$ 10,749,369</u></u>	<u><u>\$ 10,785,437</u></u>	<u><u>\$ 10,328,047</u></u>

In 1999, upon the merger of the Police and Fire Consolidation Fund (PFCF) with the PEPFF, relief associations that were underfunded as of July 1, 1999 were required to make a predetermined annual amortization payment to the PEPFF until the year 2010. The City's fire relief association that belonged to the PFCF was underfunded and was required to make annual payments of \$40,967. The annual payment of \$40,967 is included in the City's contribution to PEPFF shown above.

Note VIII. Other Information (continued)

A. PENSION PLANS (continued)

2. Defined Contribution Plan: *Housing and Redevelopment Authority Pension Plan*

a. Plan Description

Employees of the City of Saint Paul who were formerly employed by Housing and Redevelopment Authority (HRA) before the latter merged with the City of Saint Paul and who elected to continue to participate in this pension plan upon becoming employees of the City of Saint Paul are covered by the Housing and Redevelopment Authority Pension Plan, a defined contribution plan. The merger was authorized under the provision of Minnesota Laws of 1976, Chapter 234, as amended in 1977 Session Laws, Chapter 165. The law also provided that employees who elected to continue with the HRA pension plan shall be responsible for the difference in cost between the HRA pension plan and the City of Saint Paul pension plan. The HRA Pension Plan Trustees, in conjunction with Principal Financial Group, administers the HRA Pension Plan.

Participants in the HRA Pension Plan will be vested in their own Trust Fund Share attributable to their individual contributions, supplementary contributions and any rollover contributions. Vesting is based on applying a percentage based on the number of years of service with each full year of service to be vested at 20%. If termination of service or death occurs, each participant or participant's beneficiary is entitled to receive interest in the Trust Fund, and it will be paid in accordance with the rules of the pension plan.

b. Funding Policy

Each active employee who participates in the HRA Pension Plan contributes 6.47% of the employee's salary. The City of Saint Paul contributes 5.53% of each active employee's salary who belongs in the pension plan. The City and the covered employees contributed \$53,754 and \$62,868, respectively, for the year ending December 31, 2003. The City also contributed \$55,667 for 2002 and \$54,763 for 2001. For each year, the City contribution equals the required contribution for each respective year.

B. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note VIII. A., the City provides other post-employment life and health insurance benefits in accordance with the City's collective bargaining agreements with employees' unions. Since the City has 29 bargaining agreements, there is substantial variance in eligibility requirements and contribution levels. The typical eligibility requirements are 20 years of service and currently receiving a public employee pension. The average monthly premium contributions for 2003 were as follows:

	<u>Age</u>	<u>Average Monthly City Contribution</u>	<u>Average Monthly Retiree Contribution</u>
Health Insurance	Less than 65	\$276	\$276
	65 and older	\$339	None
Life Insurance	Less than 65	\$3	None
	65 and older	Not applicable	Not applicable

These plans are fully insured.

Expenditures for these post-employment benefits are recognized as premiums and are paid to the insurers. In 2003, these expenditures totaled \$7,698,283 for approximately 1,946 retirees.

Note VIII. Other Information (continued)

C. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City accounts for and finances its risk management activities in the General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claim expenditures relating to tort liabilities are paid from the General Fund. Workers' compensation claim expenditures are recorded in the General Fund and are allocated to other City funds based upon a fringe benefit rate applied to each fund's actual salaries. The following discloses the change in the balance of the claims liability during fiscal years 2002 and 2003.

	Year Ended December 31, 2003	Year Ended December 31, 2002
Beginning of Fiscal Year Liability, as restated	\$ 19,063,007	\$ 17,256,490
Current Year Claims and Changes in Estimates	5,310,489	7,505,111
Claim Payments	<u>(5,658,937)</u>	<u>(5,698,594)</u>
End of Fiscal Year Liability	<u><u>\$ 18,714,559</u></u>	<u><u>\$ 19,063,007</u></u>

Minnesota Statutes Section 466.04 limits the City's tort financial exposure. The limits are \$300,000 per individual and \$750,000 per accident for any number of claims arising out of a single occurrence for claims arising on or after January 1, 1998, and before January 1, 2000. For claims arising on or after January 1, 2000, the limit per accident for any number of claims arising out of a single occurrence is \$1,000,000 and \$300,000 per individual. The City has also established a designation of fund balance in the General Fund of \$600,000 for tort liability.

The City has purchased all risk property insurance coverage of \$858,000,000 for its real and personal property throughout the City. The deductible for each occurrence of damage or loss of property is \$250,000. Each City department participating in the risk retention program is charged a yearly amount based upon pro rata shares of the property insurance coverage, and contributions are made to a risk retention pool to address potential losses not covered by insurance. The City department is responsible for the first \$10,000 of each loss. Losses that exceed \$10,000 are reimbursed by the risk retention pool. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years. The City does not carry commercial liability and collision insurance for City-owned vehicles.

The City purchases coverage for employee health and life insurance benefits. These benefit plans are fully insured. The contributions required by employees to the health and life insurance programs are dependent upon an employee's bargaining unit. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City self-insures its liability for unemployment compensation benefits and City funds are directly charged for the actual costs incurred.

The City's Risk and Employee Benefit Management Division provides direction, management, coordination and planning services for risk, insurance and employee benefit programs. The Division conducts an audit and actuarial analysis to ensure proper premium, retention and administrative charges. Tort liability, workers' compensation and unemployment compensation programs are administered internally with professional claim managers and attorneys.

Note VIII. Other Information (continued)

D. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At December 31, 2003, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
Como Visitor and Education Resource Center	\$ 17,600,000
Residential Street Vitality Program	9,337,000
Phalen Boulevard	7,300,000
Sewer System Rehabilitation	5,969,000
North Dale Recreation Center	4,370,000
Samuel Morgan/Mississippi River East Bank Trail	2,500,000
Neighborhood House/El Rio Vista Center Design	2,200,000
Como Park Fern Room Restoration	2,142,000
Major Sewer Repairs	1,742,000
East Como Lake Trail and Shore Restoration	1,700,000
Bruce Vento Nature Sanctuary Clean-Up	1,370,000
Como Park Pedestrian Tunnel	1,150,000
Edgewater Boulevard Reconstruction	1,147,000
West Minnehaha/Frogtown Family Center	1,023,000
Como Central Service Facility	800,000
Sidewalk Reconstruction	790,000
Bury Overhead Utility Lines – White Bear Avenue	600,000
White Bear – Minnehaha and Maryland	600,000
Total	<u>\$ 62,340,000</u>

E. CONTINGENT LIABILITIES

The City, in connection with the normal conduct of its affairs, is involved in various judgments, claims and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the City.

F. SUBSEQUENT EVENTS

In 2004, the City issued the following bonds:

	<u>Amount</u>	<u>Final Maturity Date</u>
General Obligation Bonds—		
Property Tax Supported		
Capital Improvement Bonds	\$ 19,000,000	09/2013
Capital Improvement Refunding Bonds	3,270,000	03/2006
Library Bonds	12,280,000	03/2024
Special Assessment Bonded Debt		
With Governmental Commitment	2,500,000	03/2016
Temporary Tax Increment Bonds		
HRA Koch-Mobil Tax Increment Temporary Bonds	3,950,000	03/2007
Revenue Bonds		
Sewer Revenue Bonds	6,300,000	12/2023
HRA Housing 5000 Land Assembly Bonds	25,000,000	01/2024
Total Issued	<u>\$ 72,300,000</u>	

Note VIII. Other Information (continued)

F. *SUBSEQUENT EVENTS* (continued)

The General Obligation Bonds issued in 2004 were reaffirmed at Aa2 and AAA by Moody's Investors Service and Standard and Poor's Corporation, respectively. Moody's upgraded its outlook to positive. The Sewer Revenue Bonds were upgraded to Aa3 by Moody's and were reaffirmed at AAA by Standard and Poor's.

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